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NEWS SUMMARY

GENERAL

Russia arrests U.S. citizen

Soviet police have arrested Mr. F. Jay Crawford, an Alabama businessman, on smuggling charges which could bring up to ten years in a labour camp. The U.S. Embassy said it had lodged a complaint about the treatment of Mr. Crawford, an International Harvester Company representative, who was hauled from his car at traffic lights in Moscow.

The arrest came hours after the official newspaper Izvestia published spy charges against an American woman diplomat barred from the country last July. Last month two Soviet United Nations officials were detained in the U.S. on spying charges.

Israeli troops leave Lebanon

Israeli troops withdrew from Southern Lebanon and handed over control of the border zone to the local Christian militias. But in the north of the country, 45 people, including Mr. Tony Franjieh, the MP son of former President Sheiman Franjieh, died in bitter fighting between Falangist and Right-wing forces. Back and Page 3

Lords defeat on devolution

The Government suffered a serious defeat in the Lords last night on Scottish devolution legislation. Peers approved by 99-72 a Conservative amendment which reopens the controversy over whether Scottish MPs at Westminster should continue to vote on Bills affecting England when devolution becomes law.

The amendment would hold up a third reading of a Bill on English matters for 14 days if Scottish MPs were decisive in securing its majority. The Tories acted to get a debate on the issue, prevented earlier by the guillotine, when the Scotland Bill returns to the Commons.

RUC inquiry details soon

Mr. Mason, the Ulster Secretary, is expected to announce the format of a judicial inquiry into methods used by the Royal Ulster Constabulary at Castlereagh interrogation centre in the next few days. Amnesty International reiterated that its investigators found that the RUC maltreated people detained under emergency legislation during 1975-77.

Exams stolen

Schoolchildren were unable to sit the Associated Examining Board's Ordinary level paper in sociology yesterday because the question paper was stolen from a North London comprehensive last week. University of London papers were also taken but substitutes were available in time.

Sick men freed

Two men, jailed for corruption in connection with British Steel Corporation contracts, were freed by the Appeal Court. Lord Justice Geoffrey Lane said that Mr. Eric White, 69, and Mr. Robert Alfred Price, 66, were both desperately ill in prison hospitals and it would be "gratuitous cruelty" to make them serve out their sentences.

Easy rider

Children, accompanied by adults, will be able to travel almost anywhere by Awayday trains for only 40p from Sunday in British Rail's latest cut-price move. Page 6

Briefly . . .

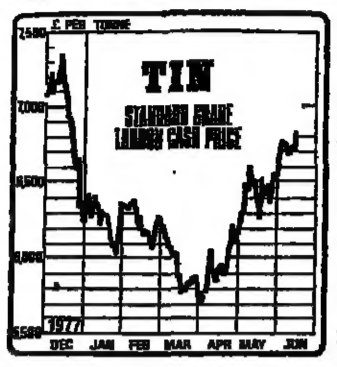
Amateur rugby player John Billingburst was given a nine-month suspended prison sentence at Newport Crown Court for inflicting grievous bodily harm by breaking an opponent's jaw during a match.

Guardsman was bucked off his horse while escorting the Queen and President Ceausescu of Romania. World Trade News, Page 4

BUSINESS

Tin puts on £110; Equities up 2.4

● TIN reached its highest level since last December on the LME following the closure of the Capper Pass smelter in Hull



because of an industrial dispute. Standard grade cash closed £110 up at £6,810 a tonne.

● EQUITIES recorded a 2.4 gain on the FT ordinary share index to 474.6 in spite of a continuing low level of trade. Gold Mines put on 2.7 to 160.9.

● GILTS faded with sentiment uncertain ahead of the May trade figures, and the Government Securities index closed 0.01 down at 70.78.

● STERLING lost 40 points to $1.8340, its trade-weighted index easing to 61.4 (61.5). The yen closed at Y216.75 against the dollar after reaching a record level in Tokyo. The dollar's depreciation remained unchanged at 5.8 per cent.

● GOLD closed $1¼ up at $182¾ in London and in New York the Comex June settlement price was $2.60 up at $183.70.

● WALL STREET closed 8.26 up at 856.98.

● U.S. Treasury bill rates were: threes, 6.618 per cent (6.626); and sixes, 7.121 per cent (7.095).

● GOVERNOR of the Bank of England, Mr. Gordon Richardson, speaking at a foreign bankers' meeting in Berne, has warned against the risks of a rekindling of inflation, and urged a "reasonable" rate of real growth. Back Page

● PRICE COMMISSION is to investigate the prices of car spare parts, and may make long-term recommendations about prices. Back Page. The Office of Fair Trading is thought to be considering a third attempt to break the cement companies' common pricing agreement in the Restrictive Practices Court. Page 6

● ZAIRE, under pressure from principal Western creditors, including the IMF, World Bank and the EEC, has agreed to place its public finances under outside supervision as a precondition to the negotiation of a $1bn aid package. Back Page

● BARCLAYS BANK and Barclaycard customers will pay higher interest rates for their loans following the announcement that the personal loan rate and the credit card loan rates are to be increased. Page 5

● CHRYSLER shop stewards at the Linwood car plant have rejected management proposals to combat absenteeism and lateness of the workforce, which have been blamed for falling productivity. Page 8

● THORN group has agreed with Japan Victor to sell 20,000 of its video tape recorders a year on the U.K. market. Back Page

● BRITISH LEYLAND chairman, Mr. Michael Edwardes has put forward plans for a new incentive scheme in an attempt to raise the car division's output levels. Back Page

● OCCIDENTAL OIL has made a counter-bid for Husky Oil of Calgary, against a bid by Canadian interests represented by the Canadian national oil company, Petro-Canada. Page 26

COMPANIES

● GEI INTERNATIONAL made a 3 per cent jump in pre-tax profit for the year to March 31 on turnover up 26 per cent to £50.48m. Page 23

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Albright and Wilson	172	+ 15
Assed. Newspapers	163	+ 7
Assed. Paper	63½	+ 4½
Berkeley Hambro	115	+ 6
Burton A	115	+ 4
Churchbury Ests.	268	+ 11
Cornercroft	71	+ 3
Daily Mail A	298	+ 10
GUS A	280	+ 6
Guinness (A.)	176	+ 4
Hall (Matthew)	225	+ 6
Heywood Williams	122	+ 5
Inveresk	75	+ 4
Invest. Trust Corp.	278	+ 23
Johnson Cleaners	92	+ 5
K Shoes	71	+ 4
Lindsay and Williams	49	+ 3
MFI	86	+ 5
Midland Bank	365	+ 5
News Intnl.	265	+ 20
Pearson (S.)	220	+ 5
Pilkington	487	+ 7
Property Partnerships	125	+ 7
Reed Intnl.	138	+ 6
Sketchley	121	+ 6
Stylo Shoes	63	+ 5
Tesco	45¼	+ 2¼
Vickers	179	+ 5
Anglo-American Crp.	332	+ 10
Anglo Utd. Devs.	203	+ 17
Charter Cons.	150	+ 7
De Beers Dfd.	366	+ 8
Harmony	382	+ 13
Marievale	116	+ 6
Northgate	450	+ 15
Sabina Inds.	60	+ 6

FALLS

Heron Motor	144	− 4
Johnson Matthey	428	− 7
McNeill Group	53	− 5
Pegler-Hattersley	166	− 8

ICI gives warning of plant closures in 18-month dispute

BY KEVIN DONE and NICK GARNETT

Imperial Chemical Industries told union leaders yesterday that it will have to start shutting down plants at its most important UK manufacturing site which is facing "its most serious crisis since it started operations."

Plant closures at Wilton, Teesside — ICI's biggest petrochemicals site—will start next week because of an 18-month industrial dispute.

ICI has written to 8,000 weekly staff employed at the site saying that the dispute makes impossible the commissioning of new plants "on which our survival depends."

The company is engaged on its biggest investment programme on the site involving the construction of plant worth £480m.

If the dispute is not resolved quickly, the effects of Wilton plant closures will be felt soon by a wide range of ICI's customers including the chemicals, automotive, plastics processing, construction and textiles industries.

The shutting down of major chemical plants is a complex and sometimes difficult operation and re-commissioning can be time-consuming.

The company is facing a grave shortage of trained instrument artificers, the men who look after control room instrumentation. The dispute is over a retraining programme, to which, the company says, unions will not agree until demands are met for more money.

Union officials, who are taking the closure threat seriously, say the training courses would make no difference to the company's chronic shortage of artificers which stems from high labour turnover. They claim that the problem is rooted solely in ICI's inability to compete with other companies on pay.

ICI says that it has been losing artificers at an alarming rate.

In his letter to weekly staff, Mr. Brian Jenkins, personnel and Wilton site co-ordinating director, says: "Ideally we need 350 instrument artificers to run the existing plants and another 50 to commission new plants. We have only 230."

He says the men are leaving ICI to work in the construction industry in the UK and the Middle East, on North Sea oil operations and, to a lesser extent, with other manufacturers at home and abroad. Over the years, ICI says it has trained 1,500 people for this work.

Mr. Jenkins says that the first closure next week will be one of the company's ethylene plants at Wilton. This probably will close on Monday.

Ethylene plants are at the heart of a petrochemicals complex. When this 200,000-tonnes-a-year plant closes the effect will spread to other downstream plants which use ethylene as their raw material, such as plastics, fibres, detergents and anti-freeze.

ICI has invested more than £526m at the Wilton site, which it started developing after the second world war. It is one of the fastest growing petrochemicals complexes in western Europe and represents a large part of ICI's investment in the last 30 years.

The dispute revolves largely around the way pay policy has eroded craft differentials in related industries where there are wide discrepancies in wages for the same type of worker.

ICI says it saw the shortage developing early last year when it approached the Amalgamated Union of Engineering Workers and the Electrical and Plumbing Trades Union to resume conversion training, a practice agreed with the unions in 1951. The unions refused to co-operate until all artificers, fitters and electricians received more money.

Further talks were held, but union officials' only concession has been to allow training of two

Continued on Back Page

ICI strategy attacked Page 8

Post Office pension fund in £85m three-way deal

BY MICHAEL BLANDEN

THE Post Office pension fund is to take over one of the leading investment trust groups in a major three-way deal which will provide Barclays Bank with an injection of some £85m of new capital.

Under the surprise deal announced yesterday, Barclays will offer its own shares, worth about £92.6m at market value, to buy the Investment Trust Corporation. The offer values the trust shares at nearly 295p each, with a cash alternative of 264p.

The bank has already agreed that, if the bid goes through, it will then sell the investment company to the Post Office staff superannuation fund for £85m cash, which it will use to support further expansion of its own business.

The move is the latest in the recent round of acquisitions of investment trusts by big investing institutions. It offers the Post Office pension fund, which is reckoned to have £1m a day to invest, the opportunity to acquire a major portfolio of shares without the problems of making a contested bid.

The scheme, worked out by merchant bankers Samuel Montagu as advisers to the pension fund, enables the fund to avoid the kind of battles which followed recent bids by the National Coal Board and railways pension funds for major trusts.

Details, Page 24
Lex, Back Page

It allows Barclays to raise a large slice of new capital at a substantially lower discount from the market price of its shares than would be possible in a rights issue.

At the same time, the bank will be able to raise its dividend by a planned 20 per cent for the current year.

The deal also offers the shareholders in the investment trust the chance to take shares worth rather more than the net asset value of the trust instead of cash, and thus to enjoy the benefits of a capital gains tax roll-over relief.

The announcement was received well in the stock market. Barclays shares slipped initially to 328p but recovered to end with a gain of 3p at 335p.

Investment Trust Corporation shares, which announced a bid approach at the end of last month, jumped by 23p to 278p.

The bid involves Barclays offering 88 of its own ordinary stock units or £264 in cash for every 100 of the ITC 25p shares. The bank is also to offer 100p in cash for each of the investment trust's 3.15 per cent cumulative preference shares.

The cash offer is being underwritten by Cazenove and Pember and Boyle at a price of 300p for each of the Barclays shares

Mr. Deryk Vander Weyer, a vice-chairman of Barclays, said yesterday that the bank was not

Continued on Back Page

Building society receipts drop

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

BUILDING society receipts in May fell to their lowest point for more than a year as withdrawals reached record levels.

The societies' experiences reflect Government figures published yesterday which pointed to a sharp rise in consumer spending and explain last week's decision by the movement to increase interest rates for the first time in almost two years.

Figures from the Building Societies Association show that societies took in £1.26bn in gross receipts during May against £1.32bn in the previous month.

Withdrawals for the first time topped £1bn in a month, leaving net receipts of only £212m. The figure was the lowest since March 1977, and is little more than a third of the monthly net inflow which was being achieved towards the end of 1977. The June total will be even lower.

Yesterday's figures show that the societies remain committed to a high mortgage lending programme, despite the rapid fall-off in the inflow of new money, and that loans are being substantially financed from liquid funds.

Last week's decision to raise interest rates should, however, improve the level of net receipts from July onwards, something which is even more important now that the Government is allowing the temporary restrictions on mortgage lending to be phased out.

Mortgage advances in May totalled £784m, the second highest monthly figure on record, reflecting the very high commitments taken on during the first quarter of 1978 before lending restrictions were imposed.

Building societies also promised to lend another £730m to borrowers in May, a figure which includes £113m for loans not connected with house purchase and not covered by lending restrictions. Before the Government called for a brake on lending, total commitments were rising sharply and had reached £807m by March.

Under the agreement to phase out lending controls, introduced because of Ministerial concern over rising house prices, societies will, in the third quarter, be raising commitments for normal loans from the present monthly average of around £610m to £640m.

PAY—'WE'LL LISTEN'

The Government will put forward its pay proposals for next year after the round of trade union conferences has ended in July. Mr. James Callaghan told the Commons yesterday: "We shall wait and listen to what the trade union conferences have to say."

No figures have yet been mentioned in the informal talks that have been going on between Ministers and union leaders. But Mr. Callaghan has indicated that he would like to reach an understanding with the TUC that would keep wage settlements well below this year's 10 per cent level.

Skirmishing with Mrs. Margaret Thatcher, the Conservative leader, in advance of today's censure debate on Mr. Denis Healey, the Prime Minister reasserted the Government's determination to carry through policies that would keep inflation down.

"We intend to follow a sound financial policy on all these matters," Mr. Callaghan declared.

Liberals and Scottish Nationlist MPs meet today to decide their tactics in tonight's Commons vote on a Tory motion to cut the Chancellor's salary by half.

The Liberals are expected to abstain though Mr. David Steel may find it difficult to persuade one or two of his MPs into line. A full Labour muster, with Liberal abstentions, would give the Government a majority of four over the other Opposition parties.

Parliament, Page 8

Surcharge 'will not hit prices'

BY PAULINE CLARK, LABOUR STAFF

MR. DENIS HEALEY, Chancellor of the Exchequer, denied yesterday that increased National Insurance charges on employers would have any significant effect on jobs, investment, or trade.

Faced with a censure motion in the Commons today after last week's announcement of an extra 2½ per cent surcharge on employers, Mr. Healey also claimed that the move would scarcely affect prices at all this year, and would raise them by only ¾ per cent by the end of next year.

Mr. Healey was speaking at the annual conference of the National and Local Government Officers Association, in Brighton.

He emphasised the need for shared responsibility with trade unions in keeping the economy healthy after the end of Phase Three of the Government's pay policy at the end of July.

In an attempt to gain the support of unions in the public sector, he said the Tories' counter-demand for cuts in public expenditure spelt a loss of jobs for public employees which would be "shattering and immediate."

If the opposition had its way on increasing VAT to pay for the extra tax cuts it had forced him to accept in his latest budget, "prices would have risen more this very month than in one and a half years under the surcharge."

"The surcharge in itself will, of course, reduce company liquidity in the short run.

"But the latest Government survey of the 200 largest companies shows that their liquidity increased by well over £1bn in the six months before the Budget, in spite of the 2 per cent National Insurance surcharge which we introduced in April, 1977, to exactly the same dire warnings of disaster we are getting now."

Since the surcharge was first started 15 months ago, inflation had fallen by more than half, while the balance of payments had been better by £700m.

Unemployment had fallen steadily since last September and private manufacturing investment rose 13 per cent in volume last year, faster than in most competitor countries.

Mr. Healey argued that the effect on jobs of the National Insurance surcharge would be offset by the extra tax reliefs which forced him to introduce it.

There was no disguising that the Government would be relying heavily on trade union co-operation in the management of the economy after July.

So far, Mr. Healey seemed well-satisfied with such a policy, which, he suggested, had been tried and tested since 1972, when the Government decided not to split the political and industrial wings of the Labour movement.

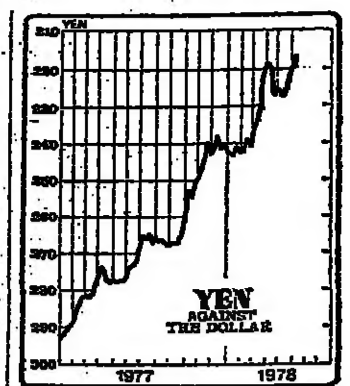
Kenneth Gooding writes: The Confederation of British Industry yesterday stood firm on its assertion that prices will go up at least 1½ per cent and unemployment rise by about 100,000 following the increase in the employers' National Insurance surcharge.

The confederation also pointed out that as recently as April 11 in his budget speech, the Chancellor had apparently turned his back on an increase in the surcharge.

At that time Mr. Healey said: "I have been asked to consider an increase in the National Insurance surcharge. The share of employer social security contributions and payroll taxes in total revenue is a good deal lower in Britain than in most other countries of the European Community.

"But I do not believe it would be right to increase it so soon after it has been introduced and at a time when unemployment is our major problem.

"It would increase industrial costs at a time when it is essential to improve our competitiveness and it would ultimately be largely passed on in higher prices at a time when the fight against inflation is at a crucial stage."



$ slips against the yen

BY MICHAEL BLANDEN

THE DOLLAR slumped to new low levels against the Japanese yen yesterday, but improved against other leading currencies in European exchange markets.

The pressure followed heavy selling of the dollar on the Tokyo exchange market, where at one point it dropped to Y216.2. The decline was reflected in London dealings where the dollar ended at Y216.75 against Y217.7 on the previous day.

The fall took the U.S. currency below the previous low point reached early in April, and means that the yen has now risen by over 40 per cent from its Smithsonian parity of 308 to the dollar and by over 25 per cent in the past year.

The dollar was helped in European markets, however, by a statement in Zurich by Mr. G. William Miller, the chairman of the Federal Reserve Board.

He affirmed the commitment of the U.S. to maintaining a sound and stable dollar, and argued that the exchange markets should take a positive view of the prospects of a declining trend in U.S. inflation and the current account deficit by the end of this year.

Charles Smith writes from Tokyo: The rise in the yen is taken to reflect continuing concern about the U.S. payments deficit and Japan's surplus.

It has also occurred against a background of widespread speculation that the exchange rate could reach Yen 200 to the dollar in the not too distant future, without seriously straining Japan's capacity to compete in world markets.

The Mitsubishi Research Institute forecast Japan's visible trade surplus for the current fiscal year at $22.27bn (up on last year's level of $20.42bn).

This was linked to a projection of relatively small growth for the economy itself—by 5.2 per cent during the year, as against the Government target of 7 per cent.

£ in New York

—	June 13	Previous
Spot	$1.8330-8340	$1.8350-8388
1 month	0.82-0.74 dis	0.75-0.67 dis
3 months	1.82-1.74 dis	1.85-1.75 dis
12 months	5.70-5.50 dis	5.70-5.50 dis

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EUROPEAN NEWS

OECD Ministers lay ground for summit in Bonn

BY ROBERT MAUTHNER

PARIS, June 13.

THE FOREIGN and Finance Ministers of the 24-nation OECD will gather here tomorrow for their two-day annual meeting, which, it is hoped, will lay the groundwork for an agreement on a concerted growth strategy at the Western summit in Bonn next month.

Though high officials from the member countries failed to agree at the end of last month on detailed proposals specifying the amount of stimulus to domestic demand required in six leading Western economies, the principle of differentiated action has been generally approved.

Thus, it is widely accepted that the stronger economies, such as West Germany and Japan, would have to give a bigger stimulus to their economies than the so-called "convalescent" countries, like the UK, France and Italy, in order to achieve the OECD's new growth target of 4.5 per cent by the middle of next year.

So far, the West Germans and Japanese have rejected any attempt to impose precise targets on them and the Bonn Government, in particular, has given no indication if and when it is prepared to adopt expansionary measures.

The general assumption here is that the West Germans do not want to give anything away in advance of the Bonn summit, but the OECD secretariat, nevertheless, believes that this week's ministerial meeting will bring some clarification of their intentions.

The need for joint action by the Western economies has been underlined by the Secretariat's latest pessimistic forecasts, which foresee that the area as a whole will grow by no more than 3.5 per cent at the most in 1978.

The low growth rate will inevitably lead to a further increase in unemployment, which is expected to rise by 500,000 to 17.5m. in the area this year. Nor, with very few exceptions, such as the UK, has any progress been made towards a better adjustment of the member countries' balances of payments.

According to the Secretariat's latest predictions, the U.S. current account deficit is expected to grow by \$6bn to \$24bn in 1978, a figure admittedly disputed by the US Administration, while Japan's surplus will rise from \$11bn in 1977 to \$15bn this year, and West Germany's from \$3.5bn to \$5bn.

It is only in their fight against inflation that the industrialised countries have made any real headway, and the average rate for the area is expected this year to come down to between 7 and 8 per cent.

Not all the emphasis at the meeting will be on co-ordinated demand management policies, however. The Secretariat's experts are convinced that, if the concerted growth strategy is to work, governments must refrain from feather-bedding inefficient industries through subsidies and the artificial creation or protection of jobs in uncompetitive sectors.

West Germany is particularly keen that the Ministers should adopt an undertaking to apply the "positive adjustment policies" proposed by the Secretariat, as a *quid* pro quo for any expansionary action it might take. But Britain is understood to be opposed to the whole idea, not only because it is too vaguely formulated, but because it restricts the Government's freedom to adopt measures to hold down unemployment and to help industries in trouble.

Nine urged to act together over arms

By Richard Evans

STRASBOURG, June 13.

MUCH GREATER collaboration on the production of armaments among the countries of the European Community was urged by Mr. Geoffrey Rippon, leader of the Conservative group, here yesterday, in order to prevent Europe from becoming dominated technologically by the United States.

He argued in favour of a report advocating a Community action programme for the development and production of conventional weapons, so that designs could be standardised over a wide range.

This would give the benefit of large-scale production which the Americans and Russians already possessed, and would allow Europe to develop its own technology, which was now in danger of being swamped.

Viscount Etienne Davignon, Commissioner for Industrial Affairs, gave a non-committal response to demands for changes in the Community's defence policy, partly because of his determination to avoid offending national susceptibilities. He stressed that separate states retained their sovereignty over national defence policies.

The Parliament will vote today on the resolution calling on the Commission to submit a programme for the development of conventional armaments within the common industrial policy.

Mr. Rippon argued that opposition to a programme of greater collaboration would be a vote for the future serfdom of Europe, but a vote in favour would demonstrate an understanding that military and economic security went hand in hand, and that arms production was an important means of fighting unemployment and increasing growth.

At present, wealth reserves were being wasted on a colossal scale as the countries of the Community duplicated each other's efforts.

Free Democrats plan Hesse poll strategy

BY JONATHAN CARR

BONN, June 13.

BADLY-SHAKEN by recent electoral setbacks, the West German Free Democratic Party (FDP) is facing a provincial congress next weekend whose outcome will have important repercussions nationally.

The FDP in Hesse is meeting to plan strategy for its campaign for the crucial state election on October 8. If it adopts the wrong course it is likely to be forced out of the state parliament in October, the position of the FDP leader, Herr Hans Dietrich Genscher, will be endangered, and the legislative process in the federal capital, Bonn, may grind to a halt.

Herr Genscher has brought massive pressure to bear on the Hesse party to come out firmly in favour of continuing its coalition with the local Social Democrat Party (SPD). But some influential party members are tempted by a coalition offer from the opposition Christian Democrats (CDU) and still others want to leave the whole matter open.

Herr Genscher fears that any move against a renewed SPD-FDP alliance at this stage would estrange voters and reduce FDP support below the 5 per cent needed for representation in Parliament. At the last Hesse elections the FDP gained only 7.4 per cent, the SPD 43.2 per cent and the CDU 47.3 per cent.

The FDP has just been driven out of local parliaments in elections in Lower Saxony and Hamburg. It has interpreted its own failure there as due to an inability to put its own liberal message across clearly enough, combined with the rise of new so-called "green parties" of environmentalists which have stolen support away from the main political groups.

Now there is the real threat of another party urging early tax reform allying itself to environmentalists for the Hesse election. An FDP without a clear identification in the eyes of the voters would be the main loser.

If the FDP vanished from the Hesse parliament and the CDU came to power there, then life for the SPD-FDP coalition in Bonn under Chancellor Helmut Schmidt would become desperately hard.

This is because with a Hesse victory the CDU and its Bavarian ally, the Christian Social Union (CSU), would together have a two-thirds majority in the Bundesrat, the federal upper house which groups representatives of the states. That would enable the CDU-CSU to block all Government-initiated legislation if it wished.

Even if the FDP comes out in favour of a further alliance with the SPD in Hesse, it will still have an uphill struggle to gain a clear profile before the electorate on issues such as tax, environmental policy and the economy. Most observers feel its survival as a parliamentary force in Hesse will be touch and go.

Holland's deficit worse than expected

By Charles Batchelor

AMSTERDAM, June 13.

HOLLAND'S BUDGET deficit in 1978 will be higher than was originally forecast, Mr. Frans Andriessen, the Finance Minister, has reported. The Government's financing requirement will be Fl 13.6bn (\$6.1bn)—Fl 1bn more than forecast in the Budget proposals announced last September.

This means the deficit will be even more than the 5½ per cent of national income expected. The Government's long-term target is to bring it down to 4 per cent.

Part of the difficulty is that the previous government, which drew up the 1978 Budget, took account in its calculations of plans to reduce expenditure which have not yet been implemented. This has meant that the new Government has had less room to introduce new policies within the limits set by the Budget. The planned reductions were in the areas of personnel costs, social security provisions for civil servants and family allowances.

Spending has been held back as much as possible so as not to undermine the impact of the major programme of spending cuts which the Government hopes to announce later this week, Mr. Andriessen said in a note to Parliament. The proposed cuts, which are expected to reduce spending by around Fl 10bn over three years will take effect from 1979.

The higher than expected deficit has prompted the Finance Minister to cut overall departmental spending by Fl 200m (\$90m). Both revenue and spending are higher under the latest forecast but spending has risen more quickly. Spending is now estimated at Fl 97.8bn and revenues at Fl 84.4bn. The Budget deficit of Fl 13.4bn produces a funding requirement of Fl 13.6bn.

Agreement on new motorway to connect Hamburg and W. Berlin

BY LESLIE COLITT

BERLIN, June 13.

EAST AND West Germany have agreed to the construction of a new autobahn link between West Berlin and West Germany, the first to be built since 1945.

The road will connect West Berlin and Hamburg, and it is estimated will cost DM1bn. East Germany until now has taken the position that it does not need the road and that therefore the West Germans should pay for the entire project.

The decision to open up negotiations on the details of the motorway to West Berlin was taken at a meeting between East Germany's Communist Party leader and President Erich Honecker, and the West German Permanent Representative in East Berlin, Herr Gunter Gaus.

Although there are three autobahn links between West Berlin and West Germany and one secondary road, all date from before the last war, the new autobahn would provide the quickest trip between West Berlin and West Germany's largest city, Hamburg.

Now the journey is a tortuous 4½ hours on a rutted East German transit road that snakes through villages and towns to the West German border.

The shortest autobahn link between West Berlin and West Germany is the 110-mile stretch to Helmstedt. Work is now nearing completion on the renewal of Helmstedt-Berlin autobahn, which is costing West Germany DM400m.

Herr Gaus said after his meeting with the East German leader that both Herr Honecker and Chancellor Helmut Schmidt would like to confer in person but that they first want the "climate" of their relations to improve.

The three Western allies in Berlin have raised objections to any visit by Chancellor Schmidt to East Berlin, noting that it would mark a final acceptance by West Germany of East Berlin's incorporation into East Germany.

Reuter adds from Flensburg, West Germany: The last stretch of north-south European motorway linking the Mediterranean and the Baltic was officially opened here today by Queen Margrethe of Denmark and West Germany's President Walter Scheel. Motorists can now drive 1,250 miles from Sicily to Apenrade in Jutland on an unbroken motorway.

Portugal's parliament approves loan move

By Jimmy Burns

LISBON, June 13.

THE Assembly of the Republic, Portugal's Parliament, has given its formal blessing to the Government's latest attempts to raise foreign loans on the Euro-market.

The governmental alliance of Socialists and Christian Democrats (CDS) secured a majority vote last night for a decree law which will allow Portugal to borrow up to \$500m between now and the end of this year. Of this \$150m has already been negotiated with a group of international banks co-managed by Westdeutsche Landesbank and Commerzbank.

The remaining amount is expected to be released as a jumbo loan by a consortium of leading U.S. banks as a result of recent talks in New York with Dr. Vitor Constancio, the Portuguese Minister of Finance, and representatives of leading Portuguese banks.

The latest borrowing is in addition to the OECD-backed multilateral facility of \$750m already made available as a result of the agreement with the International Monetary Fund (IMF). The new borrowing will be used by the government to restructure the country's short-term debt of \$2.4bn, and to finance Portugal's balance of payments deficit of \$1.5bn.

● Lisbon's usually joyous annual holiday in commemoration of St. Anthony, was overshadowed today by a solemn procession through the capital at the funeral of an 18-year-old student killed in a demonstration here last Saturday.

Over 3,000 people walked silently with raised clenched fists.

● Portuguese Prime Minister Mario Soares on a visit to Bonn said yesterday his country would open formal negotiations before the end of this year on admision to the European Common Market, Reuter reports from Bonn.

Ships may be monitored from January

BY LYNTON McLAIN

COUNTRIES operating flags of convenience will be monitored from January 1 next year if this week's draft declaration from EEC Transport Ministers is implemented, as expected by November, Mr. Stanley Clinton Davis, Trade Under-Secretary, said in London yesterday.

The provision for monitoring cargoes and flag carriers was included in the general statement from Brussels on action to counter the growing domination of world shipping by "state trading countries." Britain had called for specific action against the Eastern bloc, and the Soviet Union in particular. This was turned down after protests from France.

Mr. Clinton Davis said he was moderately well satisfied with the outcome, which had gone further than the Government expected. He regarded it as the first of a number of steps the EEC would take to counter the Soviet threat of under-cutting Western shippers' prices and expanding Soviet fleets.

Sanctions to be considered by EEC Transport Ministers include the licensing of ship liner services, tax on freight rates, and cargo quotas based on volume and value of trade.

Mr. Clinton Davis said that a decision on EEC ratification of the United Nations code on liner conferences would have to be taken at the November meeting of EEC Transport Ministers. Agreement could have been reached this week, but Britain still refused to agree with the provisions of the code. Britain had disagreed with the code when it was first proposed in 1974.

Mr. Clinton Davis said EEC liner trade would have to be excluded for the code to be accepted in its present form. Britain wanted a code which had little impact on trade between the members of the Community but which would assist the developing nations gain a greater share of world trade.

Renault strike mediator

PARIS, June 13.

A VERSAILLES Court is sending a mediator to the Renault factory at Flins this afternoon to examine ways of opening negotiations to resolve the dispute there, a spokesman for Renault said.

The mediator has been instructed to look into the causes and development of the dispute at Flins and to suggest ways of bringing unions and management together. He must submit his report by Thursday.

Over 200 workers are still occupying the press shops at Flins but the rest of the factory is working normally, the Renault spokesman said.

At Renault's Cleon plant, which resumed work yesterday after a nine-day occupation and shutdown, about 15 per cent of the workforce is still on strike but again the rest of the factory was working normally, the Renault spokesman said.

The CGT and CFDT unions have called for strikes of at least two hours today in all 11 Renault factories in France.

Reuter

Austria payments balance shows sharp improvement

BY PAUL LENDVAI

VIENNA, June 13.

THE AUSTRIAN balance of payments showed a striking improvement in January-April, with the deficit on current account falling by Sch 6.1bn (£217m) to Sch 7.3bn, compared to the same period last year.

The so-called basic balance of payments was in balance, as against a Sch 11.1bn shortfall in the same period last year.

Excluding the end-of-year swap transactions between the Central Bank and the credit institutes, official foreign exchange reserves on a seasonally-adjusted basis were up by Sch 7.2bn.

The improvement was due to a 13.5 per cent fall in the visible trade deficit to Sch 18.6bn. Surplus on services account was up by Sch 2.8bn to Sch 10.1bn, with foreign exchange intake from tourism up by 14.7 per cent to Sch 17.7bn, and expenditures by Austrians abroad by 7.6 per cent to Sch 7.2bn.

Thus the net intake from tourism was up from Sch 8.7bn in January-April 1977 to Sch 10.5bn during the same period this year.

Austrian bankers are increasingly unhappy about the restrictions on their credit operations abroad.

Dr. Helmut Klauhs, director general and chairman of the Board of Genossenschaftliche Zentralbank, the central institute of the Austrian farmers' co-operative, said that the 7 per cent limit placed on expansion of foreign business this year has had an adverse impact not only on the banks as such, but also on their contacts with the international banking community.

The restrictions came into force at the end of January this year following an almost 40 per cent expansion in the growth of foreign assets held by Austrian banks in 1977.

In the opinion of Dr. Klauhs, however, the time has come to ease them and to increase the permissible growth rate in foreign assets to 20 per cent, taking as before the expected repayments this year as a base.

EEC is 'getting to grips' with farm problems

By Our Own Correspondent

STRASBOURG, June 13.

THE RECENT Common Market agreement limiting agricultural price rises to an average of 2 per cent was a clear sign that the Community was getting to grips with the problem of market imbalance, according to Mr. Finn Olav Gundelach, Commissioner for Agriculture and Fisheries.

He told the European Parliament here that at a difficult time for the economies of the Nine, when inflation was combined with recession, a clear signal had been sent to farmers that they were producing more than consumers could buy.

Such a small price rise clearly indicated agriculture's contribution to anti-inflationary policy and in real terms agriculture prices would decrease this year nearly everywhere in the Community.

Mr. Gundelach argued that in two respects the price fixing had marked a considerable step forward—the Community had pushed ahead with moderate farm price policy that offered a better chance of bringing markets into balance; and it had also adopted a package of development measures for the less well off regions.

"We must now aim to consolidate and to push ahead on both fronts," he declared.

Two things were clear from the negotiations. The search for an automatic system for the phasing out of monetary compensatory amounts (MCAs) had failed and the Community must try to confine decisions on green rate changes to the annual price decisions.

He argued that if this was not done, the fixing of common prices would be preempted by national decisions as had almost happened this year.

The calculation of MCAs had also proved difficult this year principally in the pig meat sector and the Commissioner thought it would be necessary to reduce the level of price support in this category.

Greek-Soviet links grow

BY OUR OWN CORRESPONDENT

ATHENS, June 13.

MR. GEORGE RALLIS, the Greek Foreign Minister, is to pay an official visit to the Soviet Union early in September.

The visit, probably between September 2 and 6, will be the first by a Greek Foreign Minister since the Second World War and will climax a series of overtures made by the Soviet Union to Greece in recent months.

While in Moscow, Mr. Rallis will sign consular and cultural agreements. Under the consular agreement, a Greek consulate will be opened in Odessa and a Soviet one in Salonica.

Mr. Rallis will have talks with his Soviet counterpart, Mr. Andrei Gromyko, and high-ranking officials of the Soviet Foreign Ministry on bilateral matters, as well as international issues. Mr. Gromyko is expected to return the visit.

A government official to-day denied Greek Press reports which claimed Greece had accepted a Soviet proposal to sign a friendship and co-operation agreement based on the principles of the Helsinki declaration.

He said a joint communique will be issued at the end of Mr. Rallis' visit which may also touch on political aspects regarding the policies of the two countries on various bilateral and international issues.

China visit underlines role of Spanish King

BY ROBERT GRAHAM

MADRID, June 13.

KING JUAN CARLOS is due to leave tomorrow on a five-day official visit to China, the first ever by a Western monarch to the People's Republic. This is also the first time that a Spanish monarch has visited a Communist country.

Spain established diplomatic relations with China in March, 1973, three years prior to opening official ties with the Soviet Union.

Although there already exists this earlier contact with the Chinese, the choice of Peking as the first Communist capital to be visited by King Juan Carlos is believed to be significant. His presence in Peking is expected to underline the concern shared by Spain with other Western countries over the worldwide role of the Soviet Union.

The Chinese for their part are expected to use the opportunity to support Spanish entry into the European Community and to emphasise their thesis that a strong Europe is essential to face up to growing Soviet expansionism.

In this respect they are said to be interested in Spain's attitude towards joining NATO. The Spanish Government has supported the idea of NATO membership, but within the armed forces the benefits of joining the Atlantic alliance are viewed more critically and cautiously.

The King will be accompanied by Queen Sofia. But despite the official nature of the visit both sides have chosen to give it a political significance. The King will be accompanied also by Sr. Marcelino Oreja, the Foreign Minister, and a senior Under-Secretary from the Commerce Ministry.

The political nature of the visit, which will take in stops in Iran on the way out and Iraq on the return journey, serves to underline the significant role of the King in foreign affairs.

Under General Franco, Spain had a very limited concept of foreign affairs, and foreign policy was essentially defensive in nature—designed to insulate Spain from the hostility of those who opposed the dictatorship. Within the course of two years this has changed to a much more activist approach, attempting to break through the diplomatic isolation of the dictatorship.

It has never been publicly admitted, but it is thought that the King feels he should play a very activist role as Spain's chief ambassador abroad. For instance, it was said to have been in large part on his initiative that last September he made an extensive tour of South and Central America. This trip was subsequently considered to be an important symbolic gesture designed to eliminate the rather disdainful and paternalistic image of Spain that had built up there.

In another instance, Spain tradiditionally has flattered itself on its good relations with Arab countries. But it was the King who readily accepted invitations to visit Jordan, Egypt and Saudi Arabia in an effort to promote Spanish business with the Middle East.

The King has been equally active in his endorsement of Spain's membership of an enlarged EEC. France and Italy, the two countries likely to cause Spanish entry the most problems, were the first EEC member states he visited.

On all these state occasions the King appears to impress with a firm and realistic appraisal of Spain in its delicate transitional phase. If he is to be faulted, it is on his rather wooden delivery of prepared text speeches, but he makes up for this in his readily discernible pleasure in meeting people.

Pravda likens Peking to Nazi Germany

MOSCOW, June 13.

THE SOVIET UNION today compared China's goals with those of Nazi Germany.

The parallel was drawn by the Soviet Communist Party newspaper Pravda in a commentary which said Peking aimed to conquer the world.

The commentary was published over the name of I. Alexandrov, believed to be a pseudonym used only for authoritative statements of Kremlin thinking.

Unlike past "Alexandrov" articles, which have concentrated more on Sino-Soviet relations, there was no pledge of Kremlin readiness to settle differences.

Instead, the commentary ended with an assurance that Moscow would do everything in its power to preserve and safeguard world peace.

Reuter

France's lame-duck steel industry appeals for second rescue

BY DAVID CURRY IN PARIS

THE FRENCH STEEL industry is urgently seeking State aid less than 18 months after the Government put together an emergency rescue package to enable it to renew its plant and scale down its workforce.

When that rescue package was worked out, the industry had just struggled through a year which saw its medium- and long-term debt match turnover at FFr 31bn (about £3.7bn). The plan envisaged some FFr. 8.8bn in investment in new plant by 1980 and the elimination of some 16,500 jobs by April 1979.

A year later, and 10,000 jobs fewer, bringing the workforce to 143,000, the situation was worse. Turnover had struggled up to FFr. 33.5bn while debt had reached FFr. 38bn.

With financial charges now crushing, the industry is seeking Government agreement to a new programme of fund-raising, coupled with a moratorium and rescheduling of debts. Around 21.5 per cent of the debt is outstanding to the Government's Social and Economic Development Fund, FDES, while the banking sector is estimated to have claims of some FFr 28bn, the bulk of it divided between the two State-owned banks, BNP and Societe Generale. The private bank, Paribas, puts its own exposure at FFr 2bn.

The only area which would remain untouched by a rescheduling of debts would be the money raised on the capital market via the industry's financing arm, the GIS. Since the GIS would be called upon to raise new money from both institutional and small investors its integrity cannot be compromised.

The Government, in the persons in particular of M. Rene Monory, Economic Affairs Minister, and M. Andre Giraud, Industry Minister, is taking its time over the steel dossier.

The post-election industrial strategy of the Government decrees that lame ducks can only qualify for help if they present coherent recovery programmes and can prove competent management. It appears that the Government is not satisfied about the level of certain management and is debating whether the 1977 plan can be improved and extended.

The unions think that a new round of job-cutting is on the way. In fact, the 10,000 jobs so far lost have disappeared mainly through retiring workers at the age of 56.4, some shifting around of labour and "voluntary departure." Only 3,000 redundancies have been declared, about 1,000 of these being of immigrant workers who were given FFr 10,000 to return home.

THE STEEL MAKERS 1977

Usinor	8.3m tonnes*
Sacilor	6.4m tonnes†
Chiers-Chatillon	1.18m tonnes
Creusot-Loire	1.14m tonnes
Cockerill (France)	897,000
Soc. Met. de Normandie	665,000
Ugine Aciers	616,000
Pompey	429,000

* Including its stake in Solmer and Alpa, pro rata.
† Including its stake in Solmer and Sollac, pro rata.

The unions base their suspicions on remarks made by the former Director of the Treasury (and now of the IMF M. Jacques de Larosiere before the Senate. He mused aloud on the difficulty of shedding more than 10,000 jobs a year in 1979 and 1980. If that were really in the Government's mind it would imply a total loss by 1980 of the order of 35,000 jobs, rather than the 16,500 of the original proposal.

These musings have not found any ministerial echo and the industry has itself denied categorically that any new steel plan is in prospect. About 2m. tonnes of capacity has been shut in the past 18 months, while the FDES has shelled out FFr 1.8bn in loans to the leading companies Usinor and Sacilor.

They needed it. The Sacilor parent company reported an operating loss in 1977 of FFr 3.3bn against FFr 1.13bn before, and a loss before depreciation for the main group operations (including its stakes in Sollac and Solmer) of FFr 1.755bn. Usinor, also including its stake in Solmer (owned 50:50 by Usinor and Sacilor) suffered a net loss of FFr 2bn, and was almost as bad the previous year. Both Sacilor and Usinor will be deeply in the red in 1978.

Although the financial position of the industry is very difficult, the position in the market shows some slight improvement, but production will remain well below capacity. Last year output reached 22.1m tonnes against a capacity of some 31m tonnes. In 1976 plant capable of making 33.7m tonnes of steel had actually turned out 23.2m tonnes. The 1977 plan envisaged no increase in capacity overall, and, in fact, the tendency is for capacity to shrink slightly. In any even, the industry cannot see production getting anywhere near the 32-33m tonnes level before the mid-1980s.

In the first four months of the year production reached 8.1m tonnes, around 3.5 per cent more than in January-April of last year after allowing for the effect of the strikes of April 1977, after prices have firmed somewhat in France, but are still below the level needed to make production profitable. The 5 per cent price rise arranged through the European Coal and Steel Community in January in fact translated into a 15 per cent increase in France. This was so because the rebates being given by French manufacturers pushed their real prices to a level well below the base line taken for the Community price increase.

The price rise in April added some 4 per cent to prices in France, while the increase to come into force in July will probably put some 3 per cent on the prices of the products affected, though it will not touch minimum prices.

M. Rene Monory . . . taking his time over steel.

The domestic market is soggy. The electoral defeat of the Left might have raised the spirits of industry, but it has done little to release its purse-strings. Few investment forecasts envisage a pick-up of more than 3 per cent.

Export prices are better, and the Steel Federation reckons that they are some 15-25 per cent better than the worst levels of 1977 for destination outside the EEC. But it is beginning to fret seriously again because of imports: average monthly imports last year were some 641,000 tonnes. In the first four months of this year they were 735,000 tonnes and in April the figure was 846,000 tonnes.

The industry says that the recovery programme is threatened by the remorseless drain of cash-flow into servicing debts. It needs the Government to lean on the banks to accept financial arrangements permitting the consolidation of debt.

In response to Government pressure the leading companies have restructured their holdings so as to associate more closely the loss-making basic steel operations with more profitable downstream activities, but the managements remain essentially unchanged.

It seems certain that the industry will be called upon to make a significant financial effort of its own—probably through the GIS fund-raising body—while some of the immediate pressure could be taken off by deferring repayment of the money outstanding to the Government or even consolidating FDES advances into capital. The French will also continue to press Brussels for enhanced vigilance against imports, for the management of prices and for general "market organisation."

"No divine decree lays down that France should produce 30m tonnes of steel a year if by producing a basic amount of, say 20m tonnes and by buying the rest from abroad it can develop its mechanical engineering industry in the best conditions." Thus the Prime Minister, M. Raymond Barre, complaining of the fashion for subsidising loss-making industries because they are thought to symbolise a nation's virility. In what it does with steel, much more than the final response to the long saga of the Boussac textile empire, will the hard-headedness of the Government's policy of compelling industry to put its house in order be judged.

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S. African economic recovery proving hesitant and uneven

BY QUENTIN PEEL JOHANNESBURG, June 13.

LATEST INDICATORS of industrial performance in S. Africa suggest that economic recovery, although under way, is proving much more hesitant and uneven than Sen. Owen Horwood, the Minister of Finance, would like.

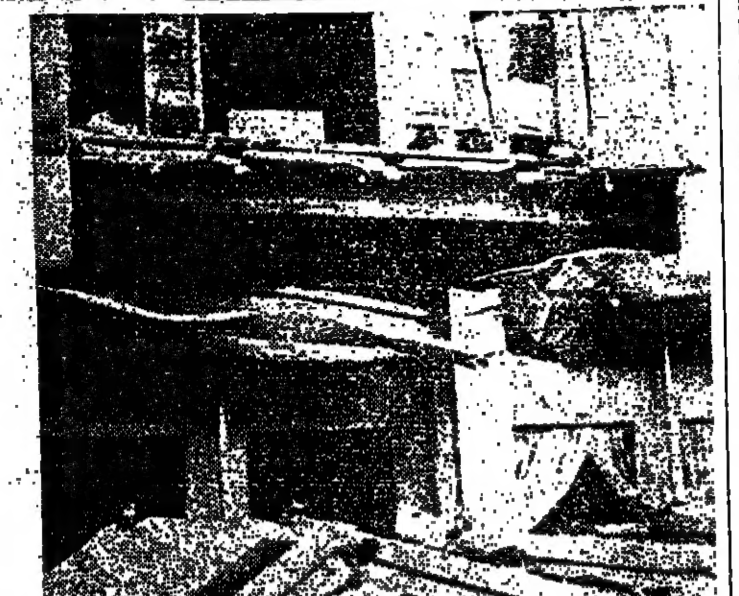
"The best figures so far have come from the motor industry, showing real growth over its severe depression of last year. Motor sales in May were 38 per cent up on May, 1977, and the figures for the first five months—80,090 car sales—were 24 per cent up on 64,493 of those months last year.

The metal and engineering industries also report "a continuing pickup," according to the Steel and Engineering Industries Federation (Seifsa), but only in some 50 per cent of the sectors, and then only marginal. The rather less up-to-date figures from the Department of Statistics on overall manufacturing output show, moreover, that there was a real decline between February and March, leaving volume nearly 3 per cent lower.

Motor industry spokesmen caution that their figures may well not be a reflection of the underlying economic trend, being to some extent the result of cyclical replacements, and also buying ahead of the introduction of the new general sales tax on July 3.

The Seifsa survey is based on members' returns for April and represents one of the most reliable indicators of economic activity. It reports that "the recovery in manufacturing output in a number of sectors . . . is being sustained."

Those sectors which continued to report recovery both in output and order intake included general engineering, light metal manufacture and the telecommunication and electronics industry. Slow but steady growth was reported by the agricultural equipment sector, automotive component manufacturers, and producers of electrical equipment.



Japanese authorities yesterday claimed they had averted a pollution disaster after stopping millions of gallons of heavy oil pouring into the Pacific Ocean from giant storage tanks cracked by an earthquake. The earthquake, which jolted the Pacific coastline of Japan's densely-populated main island of Honshu on Monday, killed 22 people and injured 586. It was the strongest to hit Japan in 10 years. The picture above shows some of the damage caused.

Kuwait will press for OPEC oil price rise

By Ihsan Hijazi

BEIRUT, June 13.

KUWAIT will press for higher oil prices at next Saturday's meeting of the Ministerial Council of the Organisation of Petroleum Exporting Countries (OPEC), the country's Oil Minister, Sheikh Ali Khalifa al Sabah, has announced.

In an interview published here today in the English-language newsletter, the Middle East Reporter, he said the OPEC conference will "definitely discuss oil prices" but he could not predict the outcome. Sheikh Ali predicted that the current world-wide oil glut will recede before the end of this year.

The Minister said there is a good reason for an increase in oil prices. "Our income has deteriorated as a result of the fall in the dollar and the recent strengthening has not compensated us for past losses," he said, and he doubted that the dollar will ever reach previous levels. "As such I feel we are entitled to a compensation for the falling dollar," the Minister pointed out.

He said that Kuwait's revenue from oil would have been 10-15 per cent higher if it were not for the drop in the dollar rate. Sheikh Ali pointed out that demand for oil on the world market is picking up, "though not as fast as we would love to see it." He added: "The willingness of various countries to over-produce or to over-supply is diminishing and I see an approach towards a balance in the near future" between supply and demand. In reply to a question, he said that this could possibly happen before the end of this year.

China cultural figure dies

By Colina MacDougall

KUO MO-JO, President of the Chinese Academy of Scientists, who died yesterday at the age of 86, had been a leading figure on the Chinese cultural scene for over 60 years, though since 1971 he had withdrawn from public life owing to age and illness. His last major political move was probably his much publicised "self criticism" in April 1966, the first evidence that the cultural revolution, then in its very early stages, was destined to affect even the highest party leadership.

SOUTHERN LEBANON

Heavy fighting during handover

BY OUR FOREIGN STAFF

AS ISRAEL yesterday handed over control of the border strip in south Lebanon to Christian militia under the command of Major Saad Haddad, heavy fighting broke out yesterday between rival Christian militias in the town of Ehden about 80 miles north-east of Beirut. Among the 40 killed was Mr Tony Franjieh, a deputy and son of the former President Suleiman Franjieh, his wife and two children.

A feeling of an impending national crisis prevailed as President Elias Sarkis summoned the Cabinet to an emergency meeting. The officials were earlier preoccupied with the progress of evacuating Israeli troops from southern Lebanon.

The area which the Christians will be patrolling on behalf of Israel is a strip six miles wide and 59 miles long stretching from the Mediterranean to Mount Hermon. Israel has made this job easier by providing the Christians with military supplies and building a network of roads between the three enclaves, centred on the west round Alma el-Chaab, in the centre around Ait el-Chaab, and in the east around Marjayoun. At the same time, the four main crossing points into Israel at Rosh Haikra on the coast, Dovev and Rmeiche in the centre enclave, and near Metulla in the east will stay open.

The Right-wing militia to whom the evacuated territory was handed over numbers 1,500 men, half of whom are soldiers and officers who belonged to the old Lebanese army which disintegrated during the civil war. The regulars—like Major Haddad—are still officially under the order of the Ministry of Defence, which has instructed him to confine the troops to barracks at the towns of Marjayoun and Qlaia five and one miles from the Israeli border. All security duties are to be given to the UN troops pending the arrival of the Lebanese army. Yesterday, the Lebanese Government was reported to have prepared a brigade of 1,500 of its own forces to go to the border area to fill the security vacuum.

Unifil and the Syrian-dominated Arab deterrent force are now facing a crisis if as is probable Major Haddad is determined to stand by his mission of patrolling the border as entrusted to him by Israel. The forces on the left—in Lebanon and radical Palestinian groups—have threatened to attack collaborators with Israel. If Unifil does not assert itself it will appear to be tacitly supporting Major Haddad, and this in turn ultimately put strain on its relations with the Palestine Liberation Organisation (PLO), whose leader Mr. Yasser Arafat has agreed to restrain his own forces. So far he has been successful in keeping moderate forces, particularly those of his own organisation Fatah, under control, but at considerable cost to his own authority which is being rejected by the radical movements.

As the inevitable tension builds up, the Syrians can only become increasingly nervous, for on the one hand they are being urged to advance as far as the Litani River and thereby to reduce the area from which Palestinians could launch attacks against Israel. On the other, the Litani represents the "red line" beyond which Israel claims that any Syrian advance would necessitate retaliation. Yet it is in this area of tension that a new and more severe crisis could develop—theoretically outside its control. At the same time, Israel has made it quite plain that it will not hesitate to come to the support of the Christian enclaves if they look threatened.

The clashes in the north between rival Christian groups have few direct connections with the issues of southern Lebanon, although there have been reports of Christians in the north going south to help Major Haddad.

Yesterday's fighting began when 800 members of the Right-wing Phalange Party mounted the attack on the town early in the morning and clashed with followers of Mr. Franjieh. They had cut off all the roads and approches to the town before the attack.

A communique by the command of the mainly Syrian Arab deterent force said that reinforcements from the force were rushed to the scene, that they had reopened the roads and were entering Ehden.

Tension between the Phalange Party, which is the largest para-military group on the Christian side, and supporters of Mr. Franjieh had been building up since he broke away from the Right-wing coalition known as the "Lebanese Front," and his reconciliation with former Prime Minister Rashid Karami, a prominent Moslem leader from the Northern Town of Tripoli.

Mr. Franjieh's break with the Lebanese Front was over his strong objection to the Phalange Party trying to extend its influence to the Christian north, especially the Franjieh home-town of Zghorta and the nearby summer resort of Ehden.

U.S. call on Israeli withdrawal

WASHINGTON, June 13.

A STATE Department official said today it was hard to see how Middle East peace talks could go ahead until Israel made clear its attitude on withdrawal from occupied territories.

Mr. Harold Saunders, Assistant Secretary of State, told a congressional hearing that the United States hoped negotiations between Israel and Egypt would be resumed after the U.S. received Israeli answers to its questions about the future of two occupied territories, the West Bank and Gaza.

The Israeli Cabinet today deferred its decision on how to reply to the questions. The Cabinet will meet again later this week.

Mr. Menahem Begin, the Israeli Prime Minister, and his supporters are reluctant to commit Israel to withdraw from the two territories, both for security reasons and because they regard them as historically part of Israel.

United Nations Resolution 242, which is endorsed by the U.S., calls on Israel to withdraw from occupied territories in exchange for secure borders.

Asked if the U.S. would put forward its own proposals if the Israeli Cabinet replied to the U.S. questions did not present a good possibility of a resumption of peace talks, he said the U.S. would consult Israel and Egypt "and it is not inconceivable we would put forward ideas of our own." Reuter

Syrian troops committed to policing role 'for years'

BY ROGER MATTHEWS CAIRO, June 13.

THE SUBSTANTIAL withdrawal of Israeli forces from southern Lebanon, the outbreak of fighting today between Right-wing Christian forces north of Beirut, and the suddent spate of warnings about the danger of another Middle East war, all serve to focus attention once more on the critical role played by the Syrian army.

From President Hafez Assad downward there is no doubt in Damascus that Syrian troops will remain in Lebanon for years rather than months to come. The Syrians now contribute more than 30,000 men, the bulk of the Arab deterrent force, and the feeling is that this number will have to be stepped up before it begins to diminish.

Senior Syrian officials believe that it is inevitable that its troops have to move further south from their present positions if effective control is to be achieved, thus paving the way for an eventual handover to Lebanese authority. To this extent, a decision in principle has already been taken to "accompany" reconstituted elements of the nascent Lebanese army down to the Litani River.

Military experts in Damascus state that having moved to the Litani River, the notional "red line" drawn by the Israeli Government, Syrian trops would be left in a very vulnerable position is they did not also occupy the hills a mile or so to the south. Mr. Assad's determination to control Palestinian guerrilla activity by denying them any significant area of Lebanon in which they can operate freely may be the factor which will allow the Western powers to convince Israel of the necessity of the Syrian move.

The Syrian ideal would probably be for the United Nations troops to form a buffer zone about six miles deep from the international border, and for Lebanese and Syrian units to control the rest of the area up to the Litani. All this poses major longer-term political and military problems for President Assad.

During a visit to an armoured brigade headquarters north of Damascus both these aspects rapidly became obvious. The pace and determination of the round-the-clock military training programme, coupled with daily political lectures for all troops, demonstrated the difficulties of the Syrian role in Lebanon when combined with the necessity of offering a credible military option in the overall Middle East conflict.

Flanked by artillery ranges and nestling between surrounding hills, the brigade—which led the original Syrian push into Lebanon—is both absorbing a number of new recruits while re-training and re-equipping longer-serving troops. Three Soviet-made T-62 tanks roared repeatedly down three parallel tracks, with two minutes 20 seconds allowed to knock out six moving targets and the four-man crew having to change roles after each run.

"Our shooting is very good, and we learned a lot in Lebanon," said the colonel in charge of training. He then turned to watch nearly 100 men pounding past the control bunker, their heads newly shorn and their throats probably raw from the incessant rhythmic chanting of "Hafez, Hafez, Hafez."

The Political Section in Damascus is charged both with the propaganda war against Israel and the domestic explanations of such matters as why it is necessary sometimes to kill Palestinians, of whose cause the regime is a devout supporter, and why men need to serve in Lebanon for long periods separated from wives and families. It also emphasises at length the virtues of the ruling Ba'ath Party, in part to try and bolster what is a seriously flagging membership.

Mr. Assad is a deeply cautious man who, having agonised over moving into Lebanon in 1976, is now almost totally committed to remaining there at least for the foreseeable future. Equally, he is committed to a "just" peace with Israel which means that he must be ready to send his armed forces into battle again at, from the Syrian point of view, a moment of his own choosing.

This theme of "consistency" which he likes to promote is of course costly in military terms and perhaps eventually in political terms. It is not a burden that a nation of 7.75m people and total armed forces of about 227,000 can visualise bearing for-ever without serious effects on economic growth and more general well-being. Yet the effects of present Syrian policy mean that the armed forces are having to be increased in number and the military budget is growing.

AMERICAN NEWS

Castro blames Brzezinski for 'total lie' over Zaire

BY DAVID BELL

WASHINGTON, June 13.

PRESIDENT FIDEL CASTRO, the Cuban leader, last night publicly denied for the first time that Cuban forces were involved in the Katangan invasion of Zaire and said that U.S. charges to the contrary were based on "lies manufactured by Dr. Zbigniew Brzezinski, Mr. Carter's National Security Adviser.

In an interview with U.S. correspondents in Havana, Dr. Castro said he had already explained privately at great length to the Carter Administration that he had tried to stop the Katangan incursion into Shaba province.

He conceded that, in the past, Cuba had worked with the Katangans who had participated in the final stage of the liberation of Angola in 1975. He added: "Since early 1976 we have tried to avoid relations with the Katangese. We felt that after the war Angola needed peace to reconstruct itself. It needed to improve its relations with its neighbours."

The Cuban leader said that neither Angola nor Cuba had had any moral or legal problems with helping the Katangese in their fight against the Government of President Mobutu . . . but both countries made a policy decision not to enter into relations with the Katangese or to co-operate with them.

President Castro said that the Katangese had on numerous occasions requested help but it had not been given. Asked why he had failed to stop the invasion as he said he tried to do, Dr. Castro said that President Agostinho Neto, the Angolan leader, had tried to halt the invasion but had been ill in Moscow just before it took place.

Dr. Castro was careful not to blame President Carter directly for what he described as "not a half-lie but a total absolute and complete lie" about recent Cuban involvement in Zaire. Rather he laid the blame at the door of Dr. Brzezinski saying that he had manufactured the accusation and deceived the President. There were people in Washington, Dr. Castro said, who wanted to create a "Tonkin Gulf" for Africa.

The interview adds one further layer of confusion to the question of Cuban involvement in Zaire. Officials are not clear why Dr. Castro, who has no love for the Mobutu regime, should be so keen to convince the world that he had no part in a plot that might have overthrown it. There is speculation that he may be trying to drive a wedge into the Carter Administration by singling out Dr. Brzezinski for attack.

The Administration is likely to be embarrassed by the fact that Dr. Castro produced a reply from Mr. Cyrus Vance, the Secretary of State, to a message to the White House sent via a senior U.S. diplomat in Havana that was disclosed over the weekend. In this Dr. Castro said that he had had no hand in the Shaba affair. In his reply Mr. Vance thanked the Cuban leader for his message. He said that it was appreciated and that it had been noted. Dr. Castro said that in contrast to what had been emanating from Dr. Brzezinski the reply was "kind and friendly."

Dr. Castro said that he would be prepared to meet President Carter to discuss the subject if necessary and added that the President "is a decent and honourable man and I don't want to preclude the possibility that he has been misled."

Fed replies to Congress warning on interest

By Our Own Correspondent

WASHINGTON, June 13.

MR. WILLIAM MILLER, chairman of the U.S. Federal Reserve Board, has reserved the right to begin paying interest on reserves deposited with the Fed by member banks but has told Congress that he has no desire to usurp its power.

His statement came in a carefully-worded reply to a letter from the chairmen of both the House and the Senate Banking Committees. They warned Mr. Miller that the Fed would need congressional approval to pay interest on the reserves and that if it went ahead without such permission it would precipitate a major clash between the Central Bank and the Congress.

Mr. Miller said that the Fed's right to pay interest was a legal matter and hinted that other members of both committees might not agree with the chairmen. But he conceded that if they did it would be unlikely for the Fed to pay interest in the face of congressional opposition.

The Fed has been toying with the idea of paying interest on members' deposits as one way of halting the steady decline in membership of the system. Since 1968 some 527 banks have pulled out of the system saying that they could not afford to tie up their reserves in non-interest bearing accounts. Last year 35 banks with total assets of $4bn left the system.

By the end of this month Mr. Miller is expected to unveil a programme designed to stop the fall in membership. He said in his letter that the plan may include some reduction in reserve requirements, the specific pricing of services provided by the Fed coupled with payment of interest on reserves, and a possible request that Congress pass a law saying that all financial institutions must keep their reserves with the Fed.

U.S. airlines may cut IATA ties

BY JOHN WYLES

NEW YORK, June 13.

THE U.S. Civil Aeronautics Board (CAB) struck at the very heart of international airline fare and rate agreements yesterday by issuing a proposal to withdraw the United States from International Air Transport Association (IATA) agreements.

The CAB indicated three weeks ago that it might end 32 years of U.S. participation in IATA. While acknowledging that the result might be greater Government involvement in the fixing of airline fares, the CAB has concluded that this would probably be less anti-competitive than the status quo.

During the past year the CAB has become the standard bearer of greater competition and cheaper air fares and has encouraged the wave of discounts which have made cut-price air tickets available on almost all major U.S. domestic routes. In turning its attention to international air travel, the CAB has been impressed by the collapse of IATA fare agreements on north Atlantic services and the highly-competitive, lower fares which have resulted.

The CAB has acknowledged the importance of its attempt to withdraw U.S. airlines from IATA by allowing 120 days for comments on its proposal rather than the 30 days normally granted.

In yesterday's order the CAB argues that circumstances have changed radically since 1946 when U.S. airlines were freed from the restraints of anti-trust laws and permitted to participate in IATA. It was no longer safe to assume that U.S. carriers alone had the resources to engage in price competition. They had ceased to dominate international aviation "and the bargaining power of our allies is now much more equal to our own."

Multilateral rate-making through IATA was not the sole mechanism through which "friendly and mutually beneficial aviation relationships" could be secured, the CAB said.

Discussing the risk of greater government involvement in fixing airline fares, Mr. Alfred Kahn, the CAB chairman, said last month that he was taking some comfort from the bilateral agreements which the U.S. had reached with Britain and Holland. The U.S. had been able to persuade other countries "to trust the fortunes of their airlines to a freer play of international price competition," he said.

One of the five CAB members dissented from yesterday's proposal. Mr. Richard O'Melia, argued that a decision of such importance warranted formal hearings, adding that he could not agree with the CAB's tentative findings that the IATA resolutions were no longer in the public interest.

Meanwhile, U.S. and British aviation officials are to have further talks on the terms under which Boston could continue to be linked to London by two U.S. airline services. Under the Bermuda Two agreement only two U.S. cities were to be nominated for service to London by two U.S. flag carriers and the CAB nominated Los Angeles and New York.

Insurance by foreign banks urged

By David Lascelles

NEW YORK, June 13.

PRESSURE is mounting on the New York branches of foreign banks to insure the deposits they solicit from the public. At present these branches are exempt from federal law which in most cases compels U.S. banks and the subsidiaries of foreign banks to insure deposits with the Federal Deposit Insurance Corporation (FDIC), a Government agency.

According to Miss Muriel Siebert, the state superintendent of banks, there is growing concern about the speed with which some of these banks are acquiring deposits without insuring them, and without the public being aware of this fact. She referred to one bank that was taking full-page advertisements and offering gifts as inducements to depositors, but she refused to name it.

Speaking at a banking symposium yesterday, Miss Siebert said that her department had proposed legislation requiring branches of foreign banks to notify depositors that their money was not insured. This would be stop-gap legislation pending the passage of a federal Bill, known as the International Banking Act, which will require these branches to insure deposits in states which have compulsory insurance laws.

New legislation would affect National Westminster Bank, for example, since it operates a single branch where deposits are not insured. In common with many banks in a similar position, NatWest argues that insurance is unnecessary since the branch does not solicit deposits, and only accepts large deposits from corporate customers which exceed the $40,000 insurance cover limit. By contrast, Barclays, which owns a subsidiary here, Barclays of New York, already falls under the obligation to insure.

The timing of both the Bills is uncertain because opponents argue that their requirements could be discriminatory.

European study, Page 26

U.S. COMPANY NEWS
Occidental makes counter-offer for Husky Oil; Eaton buys into Cutler-Hammer; Bankers in European study. Page 26

Land fear not backed by survey

BY OUR OWN CORRESPONDENT

WASHINGTON, June 13.

A FIRST ATTEMPT by the General Accounting Office (GAO), the congressional watch-dog agency, to gain some idea of the extent of foreign ownership of U.S. land suggests that foreigners may not be investing in land as much as had been thought.

But the study covers only 25 counties in five states and may have failed to come to grips with the issue. In some states, notably in the south-east, foreign purchases of land are causing concern principally because U.S. land is cheap by European and Japanese standards and buyers are thus able to outbid prospective American purchasers.

The issue is complicated by the fact that there are no state-wide or national land ownership records in the U.S. All land ownership details are kept at the county level and finding out who actually owns land is thus a lengthy and extensive business. Records of ownership do not always identify the ultimate owner.

The accounting office's report was commissioned by Senator Herman Talmadge of Georgia, one of the states where there has been much concern about purchases of foreign land-buying by individuals and by institutions. The office's check found that only three-tenths of 1 per cent of the land in the 25 counties was foreign-owned and that the majority of the owners were European, often German, French or Swedish.

Only two states, Iowa and Minnesota, require non-resident aliens to report the fact that they have bought land. Nine prohibit foreigners from owning land or put sharp restrictions on the amount that they can own while five more put ceilings on total foreign-held acreage.

One lawyer who deals with land in Kansas told investigators that foreigners were paying as much as $200 an acre more for land than local farmers. In Georgia other farmers were quoted as saying that land was priced beyond their reach.

Carey announces running mate

By Our Own Correspondent

NEW YORK, June 13.

SHRUGGING OFF the defection of his deputy, Lieutenant Governor Mary Anne Krupsak, Governor Hugh Carey today announced that his long time friend Mr. Mario Cuomo would be his running mate in New York's gubernatorial election in November.

The formal launch of the Governor's re-election campaign yesterday was spectacularly undermined by Miss Krupsak's surprise announcement that Mr. Carey would have to do without her in November. Within hours, however, the Governor displayed the political skills which three years ago caused some to see him as a possible presidential candidate.

While Miss Krupsak's criticisms of him were still coursing along the newswires, Mr. Carey's supporters were organising a campaign of telephone calls to Mr. Cuomo urging him to fill the number two slot.

USSR 'may accept troop parity in Central Europe'

BY OUR OWN CORRESPONDENT WASHINGTON, June 13.

U.S. ARMS control negotiators expressed cautious optimism today about an apparent Soviet concession in the long-running talks in Vienna (MBFR) about a mutual reduction of troop strengths in Central Europe.

According to reports here this morning, which could not be officially confirmed, the Soviet Union has agreed for the first time that NATO and the Warsaw Pact should agree to set equal ceiling on air and ground strengths in Central Europe following the reduction of forces envisaged in the current talks.

The West has always insisted that any MBFR agreement should include common ceilings, but until now the Soviet Union has proved unwilling to give way

Last month the Western negotiators made a fresh offer, which continued to insist in parity but allowed the Warsaw Pact much greater leeway in deciding which troops to pull out.

In what appears to be a reply to this proposal, the Russians have proposed this week that both sides should adhere to a ceiling of 700,000 ground forces and that the total ceiling for both air and ground personnel should be no more than 900,000.

This apparent concession leaves many other problems still to be resolved, since apart from anything else there is no agreement on the number of troops actually now in place. The Russian claim that their forces are significantly fewer than Western estimates suggests still leaves room for endless argument about respective levels.

Nevertheless, there is some optimism here that the Russians may now have accepted, at least in principle, the concept of parity and this could, therefore, be a significant advance.

Trudeau constitutional plan faces problems

BY OUR FOREIGN STAFF

THE CANADIAN Prime Minister, Mr Pierre-Elliott Trudeau, has scored an initial success with his proposals for far-reaching changes to the Canadian constitution: they have been welcomed by Mr. Joe Clarke, the leader of the Progressive Conservative Opposition.

But that does not portend an easy passage for the proposals once they are tabled in September, after the Parliamentary recess in Ottawa. The issues raised are too controversial for that in all the parties. The precise detail of Mr. Trudeau's plan was not disclosed in a White Paper published on Monday, but it did say that the Trudeau Government wants to guarantee the right of both English and French Canadians to have their children educated in their own language, and to associate the Canadian provinces more closely with the law-making process in Ottawa.

The schooling proposal not only cuts across the plans of the Quebec Government to make French predominant there, if necessary at the expense of freedom of choice: it will also arouse the suspicions of many Anglo/Canadians, especially in the West.

Nor will there be an easy passage for the proposal, as yet vague, to substitute a House of Federation, for the existing Senate, a body nominated by the federal Government and originally inspired by the model of the British House of Lords. The White Paper is tantalisingly vague about this proposal apart from saying that the provinces would play a role in selecting the members of the new house. The most far-reaching possibility that has been discussed would make members of the House the representatives of the provincial governments.

Whereas the language proposal is a response to the age-old problem of accommodating both French and English populations, the idea of a House of Federation has come forward recently in reply to the complaints of many provinces that Ottawa treats them as step children.

The most obvious instance is the rise of the Parti Quebecois in Quebec with its separatist or near-separatist ambitions. But the emerging western provinces, too, feel that Canada has been run for too long in the interests—above all—of Ontario.

If Mr. Trudeau is sincere in his intention to have these measures enacted in the present Parliament, as the first phase of a more thorough-going constitutional reform, it must follow that he has no intention of dissolving Parliament this year. There had been widespread speculation that he wanted to go to the country in the autumn, which was dispelled when the public opinion polls turned against his Liberal Party in April. In May that trend was reversed: the Liberals were back in the lead with 43 per cent against 39 per cent for the Tories. But the White Paper now makes it improbable that Mr. Trudeau will, after all, call an election this year.

It has always been considered Mr. Trudeau's main electoral asset that his name is closely associated with the cause of national (meaning Anglo-French) unity in Canada. The White Paper fits that image very well. But its impact upon the voters at large remains to be assessed: shrewd observers consider that for much of English Canada the economy is an issue more immediate than constitutional reform. The announcement in Ottawa yesterday that the unemployment ratio (seasonally adjusted) stuck at 8.6 per cent during May explains why.

WORLD TRADE NEWS

Ceausescu likely to boost trade

BY ROGER BOYES

BUCHAREST, June 1

ROMANIAN trade officials are optimistic that the much delayed agreement for Romania to build the BAC One-Eleven short-haul airliner will be finalised during President Ceausescu's four-day visit to Britain, which began yesterday.

Although final details of the deal under which Romania will build 82 of the aircraft—in conjunction with British Aerospace—have not been finalised, it is likely that some form of protocol will be signed when Mr. Ceausescu visits the company tomorrow.

Parallel deals with Rolls-Royce for the supply of engines and with other companies for various forms of aircraft equipment are also expected to be signed.

The British aerospace deal, worth some £200m and the largest of a number of deals currently under negotiation, provides an illustration of the Romanian policy of developing self reliance.

Under the terms of the preliminary agreement, parts of the aircraft will be manufactured in both countries with a gradual expansion of Romania's technical expertise until the country can take over full scale production, probably in the early 1980s.

About half the aircraft will be allocated to the fleet of Tarom, the Romanian airline, and the rest will be exported mainly to other East European countries.

This type of deal, blending the transfer of technical skills with a long-term trading relationship, is particularly attractive to Romania. The preference, indeed Romania's whole trade philosophy derives from its view of itself as a developing country with a need for capital investment and technology.

As for all developing countries, such needs often pose a threat to independence through conditions imposed by supplier countries. Romania has tried to diminish this risk by encouraging co-production and joint ventures, especially in third countries.

As Romania passes to a higher stage of development—President Ceausescu speaks of Romania becoming a "medium developing country"—new threats arise from a possible dependence on imports of raw materials, such as iron ore, coking coal and, increasingly, oil, as well as on its own continuing exports of manufactured goods.

To side-step, if not ultimately to avoid, these problems Romania has reduced its trade dependence on Comecon and the Soviet Union in particular. As Romania has shifted away from Comecon, so the West, including Britain of course, has benefited.

Indeed the Romanians, ever sensitive to the possibility of exploitation, might argue that Britain has benefited rather too much. President Ceausescu will certainly be pressing Mr. Callaghan during talks to increase British purchases of Romanian goods.

British sales to Romania amounted to £80.4m last year while Romanian exports to Britain totalled £52.4m. This represented an increase of under £3m for Romania over 1976, compared to a corresponding British increase of over £30m.

In addition there is the vexed problem for Romania of the EEC anti-dumping barriers. Romania, unlike its other Comecon partners, has an agreement with the EEC and it is expected that Mr Ceausescu will try to persuade Mr. Callaghan to secure a better deal from the Community for Romanian imports.

Romania claims it has been discriminated against—especially by Britain—on a range of products including textiles, glass and clothing.

The Romanians eagerly point to the areas where British trade could be expanded: electronics, chemicals, mining machine tools, shipping perhaps and metallurgy certainly. Foreign trade officials carefully stressed last week the possibilities of joint steel projects in third countries.

In common with other East European countries, Romania favours counter-trade, barter and compensation arrangements. In talks with Romanian officials last week it was clear that counter-trade above all would be emphasised in the forthcoming 1980-85 plan guidelines, currently being drafted.

For Romania, counter-trade means that it can in the short term relieve its balance of payments difficulties with the West, can penetrate Western markets on a long term basis and eliminate some of the uncertainties in projecting future trade balances and financing requirements.

An additional advantage for Bucharest is that the demand for constantly updated technology can actually be built into counter-trade deals.

Renault in £475m car plant agreement with Romania

BY DAVID WHITE

PARIS, June 13.

RENAULT, THE French State-controlled motor company, has signed a deal worth about £475m for expansion of the Romanian motor industry, the second big contract of its kind to have come to France in a week.

Renault's FFr 4bn deal involves doubling the capacity of a car plant at Pitesti, where the Romanians make Renault models under licence, and constructing a factory for pick-up trucks. Both are due to be completed by 1980.

The contract comes only a few day safter the signing by Automobiles Citroen of a FFr 1.6bn (£200m) contract for a plant at Zwickau in East Germany to build front wheel drive transmissions.

Citroen won the East German deal against the competition from the UK manufacturers, GKN. GKN had dropped out because of the East Germans' insistence on a buy-back clause in the contract.

Renault's contract, like Citroen's, including buying parts from the Eastern European operation. It will expand its current purchases of gearboxes and other parts used in French-made Renault vans.

Capacity at the Pitesti plant will be doubled from 75,000 vehicles a year to 150,000. The Romanians will trim their output of the Dacea 1300, a local version of the R12, to 60,000 a year and start producing Renault's new medium-size saloon, the R18, with an installed capacity of 90,000 cars a year in 1980.

About 94 per cent of the parts for the Dacea 1300 are locally produced in Romania.

At the same time, a new assembly plant will be built to produce 35,000 pick-up vehicles a year, initially with engines imported from Renault in France.

Part of the Romanian pact involves assistance in marketing the vehicles produced through Renault networks in areas such as Africa and Asia where the Romanian vehicles are considered well suited to local conditions.

Citroen also has an agreement with the Romanians, signed 18 months ago, under which it is to co-operate in a FFr 2.5bn investment to produce a new car for the Romanian market.

Renault is meanwhile awaiting a long-delayed decision by Algeria on a car plant, which was originally destined to produce 100,000 vehicles a year and for which the French company is competing with Fiat of Italy.

● Franco-Soviet trade grew by 35 per cent in 1977 to FFr 13bn, according to the Franco-Soviet Chamber of Commerce.

Despite the sharp increase, however, the value of new contracts signed between French and Russian companies last year fell sharply to only FFr 2bn from FFr 7bn in 1976, reports AP-DJ from Paris.

The Chamber of Commerce says it hopes to meet the year's target of FFr 10bn worth of new contracts.

France had a trade surplus with Russia last year of FFr 1.67bn. Exports to the USSR totalled FFr 7.35bn and imports amounted to FFr 5.68bn.

Japan EEC trade talks next week

JAPAN AND the European Economic Community will hold two days of high-level talks in Tokyo next week to discuss trade problems, including Japan's huge current account surplus according to the Japanese Foreign Ministry.

Sir Roy Denman, the EEC Commission's Director-General for External Affairs, will represent the EEC at the talks which start on June 22. Japanese Deputy Foreign Minister, Mr. Hiromichi Miyazaki, will head the Japanese delegation.

Reuter

Car exports

Japan's Toyota Motor Company reported a big jump last month in its exports to West Germany and a decline in exports to Britain. Toyota said the May export total to West Germany was 4,713 vehicles—up 318.9 per cent over May, 1977. But Toyota exports to Britain fell 5.2 per cent to 2,674 vehicles while the shipments to Britain of another leader reporting today, the Nissan Motor Company, declined 26.8 per cent to 7,000.

Brazil plan to reduce government imports

RIO DE JANEIRO, June 13.

BRAZIL PLANS to cut spending on goods imported by the Government for its use by $230m from the $1.2bn budgetted for this year, to help balance its trade account, according to officials in the Planning Ministry.

The Government is also planning a further cut of $18[illegible] in those goods imported by the Government but for use by other sectors, such as petroleum or non-ferrous metals.

The cuts, which will be spread over a number of sectors have been approved by the Economic Development Council (CDE) and will shortly be presented to President Geisel.

The measures stem from an expected drop this year in raw material exports to around $5.5bn, from close to $7bn last year, resulting from drought in the south.

At the same time the Government is hoping for a 20-25 per cent rise in exports of manufactured and semi-processed goods to around $6.1bn this year.

The latest figures from the Finance Ministry show Brazil had a $334m trade deficit in the first four months of this year on exports of $3.70bn and imports of $4.03bn, against a deficit of $79m in the same 1977 period on exports of $3.16bn and imports of $3.84bn.

Reuter

Poles build Soviet pipeline

BY CHRISTOPHER BOBINSKI

POZNAN, June 13.

THE POLISH construction company Energopol is to build a 300-km section of a new pipeline in the Soviet Union which will link the Surgut oilfield in the east of the north Urals area to Polock in north-eastern Russia. The pipeline will be an extension of the "friendship" pipeline system built in the 1960s.

The contract is part of a Polish-Soviet inter-governmental agreement signed earlier this year. Details released today by Energopol show that work is to start by the end of this year and it is expected that the Polish sector will take up to two and a-half years to complete. Around 1,500 men are expected to be employed on the project.

One complication is that 40 per cent of the route runs through marshland. This means that Energopol will need special soft ground transport machines and equipment for which they expect to be placing orders with Western companies within the next six months.

This will be the third pipeline that Energopol has helped to build in the Soviet Union. It has laid a 584-km section of the Orenburg gas pipeline, which runs from the Orenburg gasfields to the Soviet Union's western border, work on which will be completed in two years' time. The other contract is the 442-km pipeline running west of Polock which will be ready by the middle of 1979.

As much as 90 per cent of Energopol's transport equipment and 100 per cent of its welding equipment comes from Western companies like Caterpillar, JCB, Kockums or the Gretcher Recources Corporation.

The Surgut pipeline, as will the Orenburg and Polock pipelines, will be paid for with supplies of Soviet gas and oil. Projects of this kind which require immediate heavy expenditure of hard currency and are effectively hard currency credits extended by Poland to the Soviet Union are seen as a way of gaining much needed future supplies of Soviet raw materials. But they also provide experiance which can be applied in other markets.

Energopol, which employs 20,000 workers and was set up in 1975 specifically for the Orenburg project, is also active inside Poland, in East Germany and Austria. But Energopol executives say that they want to concentrate on projects in the petrodollar countries in co-operation with the large Western companies.

An example of such a contract is the IGAT 2 pipeline in Iran where Energopol is co-operating with Spie Capag of France and IRA Capag of Iran. Another recently signed contract is for the construction of a 140 km long 28 ins diameter gas pipeline from Mosanski Brod to Sisak in Yugoslavia.

South Korean attention on New Zealand

BY DAI HAYWARD

WELLINGTON, June 13.

SOUTH KOREA is making a major effort to win a bigger share of the New Zealand import trade.

The South Koreans are particularly anxious to win orders for heavy machinery, telecommunication carrier equipment, electronic equipment, iron and steel products, automobiles and building materials — areas in which they will be in direct competition with the UK, Japan and Australia.

A large trade mission of more than 40 government officials and businessmen, led by the South Korean Minister of Commerce and Industry, Mr. Gak Kyu Choi, has had extensive discussions and negotiations in Wellington.

Korean businessmen are particularly interested in joint ventures. These could include off-shore fishing in New Zealand and food processing of New Zealand agricultural exports in Korea.

The two countries are already involved in New Zealand's paper pulp industry with a new thermo-mechanical pulp mill, which is due to begin production early next year. At a special businessmen's meeting, representatives from both countries discussed the present economic situation and the outlook for their respective countries. It was accepted that New Zealand's ability to buy from overseas countries depended heavily on its ability to export meat, dairy products and wool on a stable long-term basis.

At present, New Zealand has a favourable trade balance with Korea, but both countries are anxious to increase two-way trade. Some New Zealand meat exports are already processed in Korea for further marketing in Japan.

New Zealand believes it will increase sales of timber, primary products and agricultural technology to Korea. The New Zealand Government has supported the Korean initiative and has given its blessing to the Korea-New Zealand Economic Co-operation Committee which will act as a vehicle to get businessmen together and promote mutual interests. It will also help resolve problems including tender and supply practices and financial methods governing imports and exports between the two countries.

Greek airline credits

ATHENS, June 13.

AIRBUS INDUSTRIE has offered to supply credits to cover 90 per cent of the cost of the two Airbus A-300 B4 airliners purchased by Olympic Airways last week.

Mr. Nicholas Farmakides, chairman of Olympic Airways, said yesterday that the loan, from West German and French banks, would be repaid over ten years at an average interest rate of 8.625 per cent.

He said the two airliners would cost $56m and that the offer would be accepted unless more favourable credit terms were found.

Another proposal being considered by Olympic Airways was the lease of the two Airbus airliners for 15 years. This would cost about $3m a year but the two aircraft would then revert to the manufacturer after the 15-year lease period.

Reuter

Aircraft leasing grows

JAPAN'S PLAN to purchase foreign aircraft and lease them to lines in other countries is developing, AP-DJ reports from Tokyo.

Industry and Government sources in Tokyo say Philippine Airlines and British Airways are negotiating with Japanese leasing companies to arrange financing to acquire new U.S. aircraft.

Purchase of the aircraft by Japanese leasing companies would be financed by the Export-Import Bank of Japan. The companies then lease the aircraft to the airlines for periods of up to 10 years, after which title would transfer to the airlines.

Negotiations with British Airways and Philippines Airlines indicate that Japanese leasing companies have been promoting the financing scheme aggressively. They have also been negotiating with Korean Airlines and Thai Airways International, and have held exploratory talks with China Airlines and some South American cariers.

The leasing plans offer air carriers lower interest rates than are available through U.S. banks, with guarantees by the U.S. Export-Import Bank.

They come at a time when U.S. aircraft manufacturers are complaining about difficulty competing with foreign manufacturers because of poor financing terms available in the U.S. British Airways is understood to be considering the acquisition of one Boeing 747, another 737 or a Boeing 727, and a Lockheed L-101. The total value could be about $120m.

The leases, which may include British Government repayment guarantees, would probably be for about 10 years, the maximum permitted by Japan's Ex-Im Bank for this type of loan. Interest rates are expected to be set in the area of 8.25 per cent to 8.5 per cent annually.

Increase in Finnish exports

By Our Own Correspondent

HELSINKI, June 13.

FINNISH contractors signed over 30 new projects, worth about $1.2bn in 1977, exceeding the total value of all export projects during the period 1960-76 (expressed in 1977 prices).

The biggest project was Kostamus, a $700m project involving the planning and construction of a mining industry combine and a town for 10,000 inhabitants in the Soviet Union.

In the Middle East new projects were signed worth about $400m. Finnish contractors are now operating in over 20 countries.

According to the results of a survey by the Association of General Contractors of Finland, the value of contracting exports was almost $300m in 1977. This represents an increase of 85 per cent. over 1976's figure of $150m.

Contracting exports have been concentrated in the Soviet Union, in the Middle East and in Africa. Industrial projects near the Finnish-Soviet border represented almost half of Finnish contracting exports in 1977, worth over $100m. The other half consisted of large projects in various fields of construction in the Middle East ($100m) and in Africa ($50m).

In Saudi-Arabia Finnish companies are involved in large projects concerned with water supply and residential areas. At present a $150m residential project is under way in Iran. In Iraq, Finns have signed a $150m contract for building a network of vocational schools. In Nigeria Finnish contractors have carried out mainly large residential projects.

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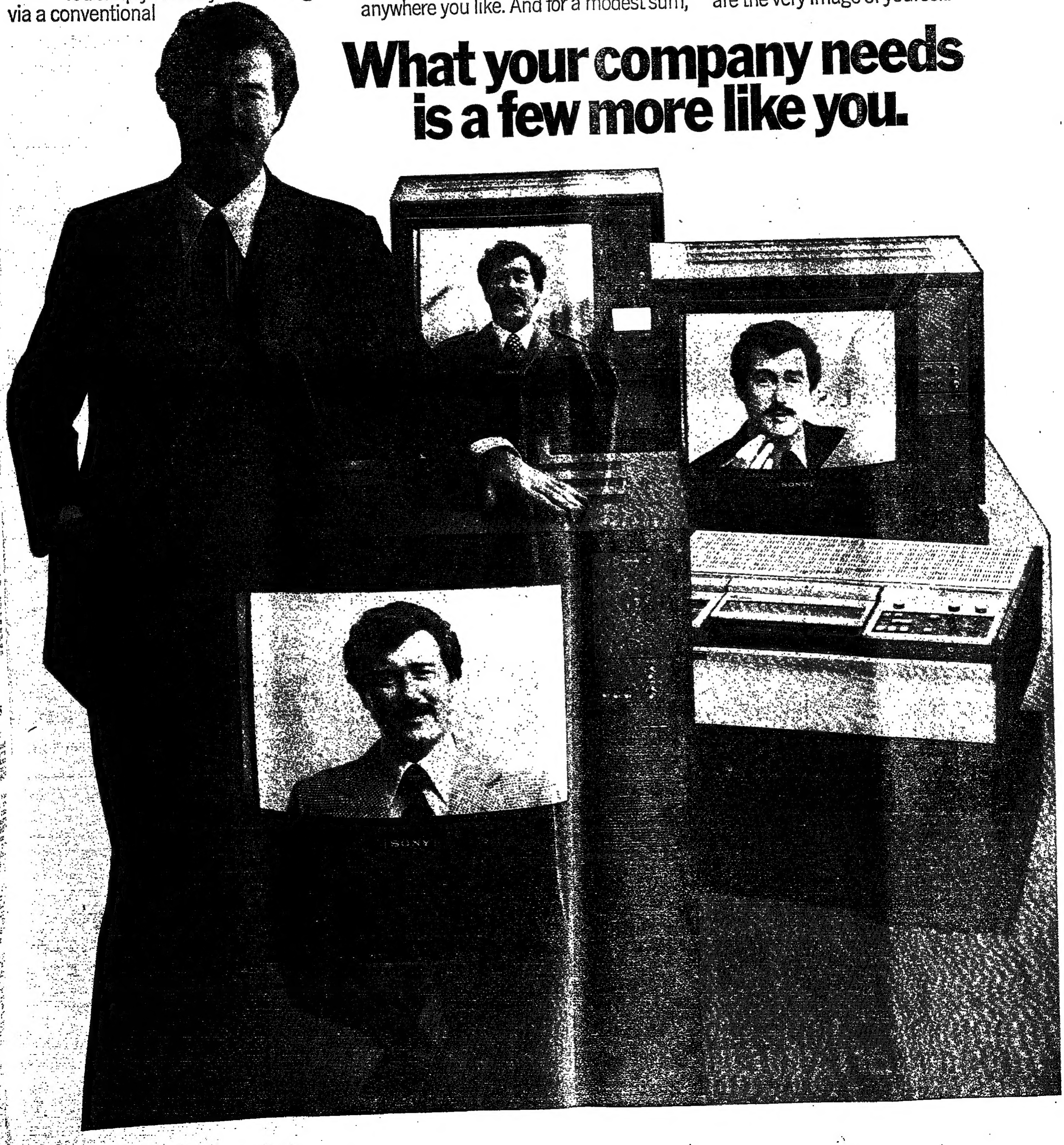


PARLIAMENT AND POLITICS

A curtain raiser for Healey

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

GOVERNMENT PREDICTIONS that the rate of inflation will be held down to single figures this year were doggedly defended in the Commons yesterday by the Prime Minister, when he engaged in a verbal sparring match with Mrs. Margaret Thatcher, Opposition leader.

But Mr. Callaghan took a far more cautious and qualified view of the possible level of prices next year. He emphasised that this would depend on the increases decided in the next round of wage bargaining.

There was a strong whiff of the hustings throughout the Commons exchanges, which turned into a curtain raiser for today's Conservative censure motion on Mr. Denis Healey, Chancellor.

Mrs. Thatcher claimed that the Chancellor's latest economic measures put a tax on expansion and production, and would make the United Kingdom more vulnerable to imports.

According to Mrs. Thatcher, if the Prime Minister had no confidence in the decision of the Commons to cut income tax by 1p, then he knew what he could do. It lay within his power to make arrangements to elect a new Parliament at any time.

In a telling argument, she recalled that Mr. Healey had originally dismissed the Liberal suggestion for an increase in the national insurance contribution, on the grounds that it would threaten jobs, add to unemployment, put up industrial costs and would be passed on in higher prices.

In view of this, she wondered why the Government had now changed its mind and introduced the increase in order to raise the £500m to meet the cost of the income tax cut.

Mr. Callaghan, very much in his elder statesman role, said he well understood the anxieties of the Tories about the possibility of a forthcoming election. Nobody had said that inflation would continue indefinitely into the future at single figures. What Mr. Roy Hattersley, the Prices Secretary, had said was that it will continue this year at single figure rates.

"What happens next year will depend to a very large extent on the level of wage settlements that will begin again in the autumn of this year," Mr. Callaghan went on. "As regards next year's income increases, I propose to listen to what the trade union conferences, now taking place, have to say. They will come to an end in July. After that, the Government will have to put forward its own proposals.

"What is much more important than examining the statistical entrails every day is that the Government has the will to carry through its policies to keep down inflation."

With loyal prompting from Labour back benchers, the Prime Minister said that the Government had considered a variety of ways of putting right the "recklessness" of the Opposition in making the tax cut. Having considered them all, it was clear that inflation was the vital area on which to concentrate. This meant that VAT could not be increased, and that the only choice was to raise the national insurance surcharge.

"We intend to follow a sound financial policy on all of these matters," Mr. Callaghan declared. Arguing that food prices had increased far less steeply in the past year, he said: "It is the Government's policy and intention to try to keep inflation down. We are succeeding at the moment and we hope to continue to do so."

At this, Mr. Terence Higgins (C. Worthing), a former Treasury Minister, tartly told him that the national insurance increase would put up food prices, whereas an increase in VAT would not have done so.

Another Tory, Mr. William Clark (Croydon S) wanted to know why the amount raised by the surcharge increase would be £1.5bn in a full year.

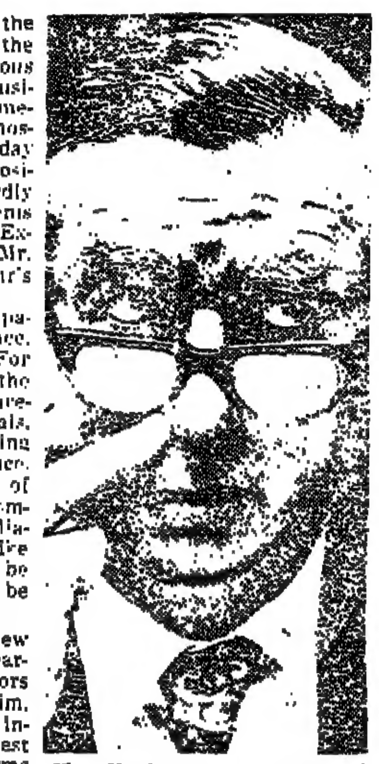
In a final shot intended to keep the Opposition off balance over the date of the next election, Mr. Callaghan replied: "There will be another Budget next April, and the matter can be reconsidered then."

Hurt feelings abound . . . there's a whiff of blood in the air

BY RUPERT CORNWELL, LOBBY STAFF

THE BIGGER they are, the harder they fall, used to be the advice handed out to nervous underdogs in the prizefight business, and there will be something of that pugilistic atmosphere in the Commons today when the target of the Opposition censure motion could hardly be bigger. No less than Denis Healey, Chancellor of the Exchequer and second only to Mr. Callaghan himself in Labour's heavyweight division.

If there is a whiff of anticipation of blood around the place, that is only to be expected. For the Liberals, outraged at the cavalier treatment of their carefully reasoned Budget proposals, are not alone in dearly wishing to see him get his come-uppance. Whether he does get it, of course, depends on several complicated variables in the Parliamentary arithmetic. But unlike a felled Goliath, we can be certain that Mr. Healey will be back in there fighting.



Mr. Healey . . . target of censure motion

Indeed, and inevitably, in view of Healey's burly, florid appearance, it is physical metaphors that abound to describe him. Formidable, dominating, indestructible, are the politest adjectives to be heard. Terms then range downwards through thug, bully, to Irish navvy made good. Implicit in all of them is his comparative solitariness as a political figure. He inspires respect and often grudging admiration, but rarely affection.

For all his 26 years as an MP there are few Healeyites, as there were Jenkinsites, Bevanites or Gaitskellites.

But the stock phrases tend to overlook the other sides of Healey. Everyone knows he likes a good meal, and that he is fond of language that can be, to put it mildly blunt. Healey stories abound, most of them centred on the odd obscenity. But he is a particularly hard politician to fathom, of great intellectual distinction as capable of being subtle as crude, of a vast range of interests from international strategy to photograph, theatre and music.

Parliament has never been his best setting. The most powerful weapon is a capacity for sledgehammer abuse, delivered in a disconcertingly matter-of-fact way. Healey's reputation and job see to it that he gets a respectful hearing, but his Commons speeches rarely rise above the workmanlike and sometimes can be downright plodding.

You feel he has to throttle himself back—and, of course, watch what he says. "The honourable gentleman, I must say, is talking absolute bal—derdash," is one recent Healeyism, delivered to a Tory Treasury spokesman, that sticks in the mind. At Labour conferences, it is a similar story. He is not one to thrill the party workers, and, despite being Chancellor, was voted off the National Executive three years ago, at the height of the Left-wing tide.

A genuinely international outlook also tends to set him apart from Labour's somewhat insular mainstream. To hear him talking knowledgeably on TV about the collapse of democracy in Czechoslovakia in the late 1940s is a reminder of his seven years as International Secretary at Transport House before winning Leeds South-East at a by-election in 1952. Before that, during the war, he had served overseas, and learnt French, German and Italian, and, earlier still, at Balliol, in the 30s, briefly espoused Communism when the movement's international prestige was at its zenith. The background, in many ways, is of a Continental intellectual and not a British Socialist.

He enjoys the ever-proliferating round of international conferences and many a reporter has been grateful for his ability to grasp swiftly and explain the nub of a complicated problem. Healey evidently takes his more down-to-earth qualities with him abroad also. One fastidious Italian Christian Democrat, who often used to find himself at the same negotiating table, once recalled how admiration for the Chancellor's prowess in Italian alternated with horror at his barrack-room turn of phrase.

The best tribute to his stature as a departmental Minister is the fact that in 10 years' service in Labour Cabinets, he has held but two jobs: Defence Secretary right through the 1964-1970 Wilson years; and Chancellor of the Exchequer ever since his party returned to office. It is doubtful that any other politician could have had the resilience and self-belief to survive 13 (or 14) Budgets and the draining, devastating struggle over the IMF loan at the end of 1976.

And for all the misadventures en route, international confidence, we are told, would suffer grievously if he were to be forced out of No. 11, Downing Street, as a result of tonight's vote. A shadow Cabinet member makes much the same point: "I really rather admire him. I know he's presided over an awful mess most of the time, but I blame Socialism, not Denis Healey, for that."

That remark, of course, speaks volumes about the Left's reasons for suspecting Healey; and also why he was so genuinely, and almost touchingly, delighted, that package number 13 last April won the approval of such harsh Left-wing critics as Mrs. Audrey Wise, as a good Labour Budget.

What happens next obviously depends on whether Mr. Callaghan can pull off a win in the election almost certain to be held this autumn. If he can, the conventional wisdom is that Healey will go to the Foreign Office, the post he has long coveted and for which he is so well qualified. After two or three years, the Prime Minister will bow out and a suitably grateful Parliamentary Party will reward Healey with the supreme prize.

But in Opposition, he is unlikely to be the heir apparent. Internal party pressure to go for someone from a younger generation (the Chancellor is now 60) will be strong; and his lack of a real personal following among MPs may tell.

'Bulldozer' jibe over Finance Bill move

By Ivor Owen, Parliamentary Staff

TREASURY Ministers hope to get the committee stage of the Finance Bill completed by the end of next week, Mr. Joel Barnett, Chief Secretary to the Treasury, said last night.

He indicated that, if necessary, the Government will propose that the standing committee considering the Bill should meet three times next week instead of the normal twice.

Tory back benchers accused him of trying to "bulldoze" the Bill through with unnecessary haste. They particularly objected to his proposal that to compensate for the cancellation of the meeting of the committee fixed for today—abandoned with general agreement so as to avoid a clash with the major economic debate in the Commons—the committee should meet tomorrow.

Mr. Enoch Powell (UU, Down S), led protests from the Opposition benches that a Thursday sitting arranged at such short notice must inevitably cause difficulty and inconvenience for the 34 members of the committee.

An attempt by Mr. Nicholas Ridley (C. Cirencester and Tewkesbury) to amend the Government's proposal by providing for only one sitting of the committee this week was defeated by 14 votes to 10, a Government majority of four.

Bill proposes improved MPs' pensions

By Philip Rawstorne

IMPROVEMENTS in MPs' pensions to bring them into line with other public service schemes are proposed in a Government Bill published yesterday.

The Parliamentary Pensions Bill provides options for MPs with 25 years' service in the Commons to retire on full pension at the age of 62 and for early retirement on health grounds, with reckonable service, enhanced in certain circumstances.

Provisions are also made for improvements in the arrangements for widows and dependants, including short-term financial assistance for widows of MPs who die in service.

The changes, recommended by the Top Salaries Review Body in 1976 but delayed by the Government's pay policy, will cost the Exchequer about £60,000 a year.

MPs' contributions to the pension scheme, which is inflation-proofed, will be increased from 5 per cent to 6 per cent of pensionable salary under the legislation.

£166m non-EEC securities purchases

DURING the year ended March 1978, UK residents made an identified net purchase of non-EEC countries' securities of £166m compared with a net sale of such securities of £259m in the previous 12 months, Mr. Robert Sheldon, Financial Secretary to the Treasury, said in a written answer last night.

Identified purchases of EEC countries' securities during the 12 months to the end of March 1978 amounted to £11m compared with purchases of £7m in the preceding 12 months.

Vandals should repair damage they have caused, say Tories

SCOTTISH TORIES backed by the Scottish National Party, yesterday urged that punishments in the form of community service work should relate to the nature of the offence.

Mr. Teddy Taylor (C., Cathcart) suggested it would be a useful form of service for vandals who had destroyed a garden to make one, or to redecorate a wall if they had defaced one.

Mr. Donald Dewar (Lab., Garscadden) said that the Tory proposal, discussed on the report stage of the Community Service by Offenders (Scotland) Bill could lead to friction.

It should be left to the social worker to say how the community service was carried out, and which particular task was appropriate.

Mr. Nicholas Fairbairn (C., Kinross and West Perthshire) said that offenders should meet their victims as this would introduce to them the awfulness of crime.

Mr. Harry Ewing, Scottish Under-Secretary, said there was a "misconception" that the courts had no say or influence over the kind of work to be made available to an offender.

The proposal would merely confuse the position of the social worker in relation to the courts. "The new clause is unnecessary because the courts at present have powers to make recommendations when an offender comes before them," he said.

Mr. Ewing also said that an offender had to give his consent to such an order being made against him. The Tory proposal would stop a lot of offenders accepting such orders, albeit that the alternative might be imprisonment.

"I don't believe that this is the kind of power that the courts will welcome," he declared.

For the Opposition Mr. Alexander Fletcher (C., Edinburgh N.) said: "We are seeking to give some rights to the court in deciding the nature of the community work to be done.

"It is in the interest of social work departments that the courts should have the right to do this. The Conservative proposal was defeated without a vote.

Mr. Ewing proposed on behalf of the Government that only offenders liable for imprisonment should the subject to community service orders.

"We are anxious to make it clear that the orders should not be in preference to a fine but should be used where imprisonment is envisaged," he said.

The proposal was approved without a vote and the Bill completed its Report Stage and was given a third reading.

Chilean engines debate refused

A TORY MP'S plea for an emergency debate over the Chilean aero-engines still held at the Rolls-Royce plant at East Kilbride four years after being sent there for overhaul was rejected by the Speaker, Mr. George Thomas, in the Commons yesterday.

Mr. Robert Adley (C Christchurch and Lymington) said that the Government's "international banditry" would create doubt among our trading partners and put other exports at risk.

Mr. Adley argued that the Government had bowed to the threat of union force over the four Rolls-Royce Avon jet engines, blacked by union members at East Kilbride as a protest against the Chilean regime. The Government, said the Tory MP, appeared to have been concealing news of a court order that the Chileans' property should be returned.

Powell 'obsessed' by coloured births–Ennals

MR. DAVID ENNALS, Social Services Secretary, hit out in the Commons yesterday at what was described by a Labour MP as Mr. Enoch Powell's "obsession about the births of coloured people."

Mr. Ennals said: "I think this obsession has done great damage to race relations, to community relations, in this country."

Mr. Martin Flannery (Lab. Hillsborough) had said that Mr. Powell's obsession about births to coloured people was not shared "by human beings in general or the entire universe."

Women would continue to have babies as long as they were with men. It was about time we went about improving the lot of human beings instead of being obsessed, said Mr. Flannery.

Mr. Powell (Ulster Unionist Down S) has asked for a comparison between birth to mothers born in the New Commonwealth and Pakistan and total births in the last ten years in certain British cities. He specified Wolverhampton, Birmingham, Bradford, Huddersfield, Leicester and the boroughs which make up the Inner London Education area.

Mr. Ennals said that information of births by birthplace of the mother first became available in 1969 and was published annually by the Registrar-General. He proposed to put a table of figures in the Official Record.

Mr. Powell asked: "Do these proportions of births—covering nearly ten years—not give a very good indication, at any rate as a minimum, of the eventual proportion of the total population of these areas which will be of New Commonwealth or ethnic origin?"

Mr. Ennals replied: "What they do show is something very different from what you have been suggesting. The figures show an average figure of New Commonwealth and Pakistani births of 22 per cent, that is far less than the figure of one-third you have frequently referred to."

Commercial prospects for oil on mainland

RESULTS OF exploration on land in England indicate prospects of finding oil and gas in commercial quantities, Dr. Dickson Mabon, Energy Minister, told the Commons in a written answer.

He said the search was largely concentrated in the central southern counties, the Midlands and North West, and parts of Yorkshire. "But further work, including drilling, will have to be carried out before any meaningful assessment can be made," he said.

Dr. Mabon said disappointing results had been achieved from six exploration wells drilled in the Celtic Sea off the Welsh and North Devon coasts. Further survey work and two stratigraphic boreholes recently drilled in an area further south in the Western Approaches had, however, been encouraging and gave grounds for optimism that oil and gas might be present there.

Shipyard position 'still serious'

THE POSITION of the Belfast shipbuilders Harland and Wolff remains serious, despite plans for building new diesel engines, Mr. Don Concannon, Minister of State for Northern Ireland, told the Commons last night.

In a written answer, Mr Concannon said Harland and Wolff had recently concluded a commercial agreement with Maschinenfabrik-Augsburg-Nurnburg (MAN) to build and market medium-speed diesel engines.

"Manufacture of these engines will provide an indigenous source of supply for engines which would otherwise need to be imported into the UK, and there will also be export opportunities."

Mr. Concannon said the project should eventually safeguard some 400 jobs in the engine works, but the position of the works remained serious.

Water rates relief backed

A PRIVATE member's Bill aimed at providing water rates rebates for pensioners and low-income families was given an unopposed first reading in the Commons yesterday.

Mr. Andrew Bennett (Lab., Stockport N.) said many people did not like the way water authorities were run particularly as they were not accountable to the public.

Constituents had complained that the North-West Water Authority took actions which pushed up its spending including giving its chairman's car a particular number plate.

There was a lot of support for scrapping the system of water authorities but his Bill merely tried to relieve the worst hardship.

LABOUR NEWS

Linwood men reject 'get tough' plan

BY RAY PERMAN, SCOTTISH CORRESPONDENT

SHOP STEWARDS at Chrysler's Linwood car plant in Scotland have rejected a management proposal to take a tougher attitude towards lateness and absenteeism, which have been blamed for falling productivity.

Output has fallen over the last three months from 89 per cent of the target in March to 68 per cent, in the first two weeks of this month. A senior executive from the company's headquarters in Detroit is to visit Linwood next month to review progress.

Unions at the plant have expressed concern about the failure to meet agreed targets, but at a meeting yesterday about 300 shop stewards decided against a management suggestion that warning procedures should be modified.

At the moment, a worker who is persistently late or absent receives a verbal warning and, unless he can complete an eight-week period of good time-keeping, this is followed up with a written warning. Failure to respond to the written warning leads to dismissal.

The company wanted to extend the good-behaviour period, to 12 weeks, but the stewards disagreed. Mr. John Carty, convenor, said that it was felt each case should be dealt with on its merits rather than there being a general tightening up.

The improved performance of Linwood at the beginning of the year contributed to Chrysler's first-quarter profit of £260,000, following two years of disastrous losses. But the Linwood stewards have made it clear to the work force that the plant must continue to operate profitably if it is to be able to finance the introduction of a new model in the early 1980s which will be essential to safeguarding Scottish jobs.

● Mr. Eric Varley, the Industry Secretary, confirmed in a Commons written reply yesterday that Chrysler will not go ahead with the new small light car originally scheduled for production at Linwood. Instead, the company will build a new medium-sized car at Ryton, Coventry.

Mr. Varley said he had always recognised that Chrysler's plans had to be relevant to changing commercial circumstances, and he had formally agreed to a revised set of plans.

"Although I am unable to reveal the new plans in detail, as this would be against the company's commercial interests, I can say that they show continuity of production and employment at all Chrysler's factories in the UK," he said.

No additional cost to public funds was involved.

AUEW leaders resist toolmakers' pressure

BY ALAN PIKE, LABOUR CORRESPONDENT

THE Amalgamated Union of Engineering Workers executive yesterday reaffirmed that its Leyland toolroom members could not be granted separate negotiating rights despite their threat to withhold union subscriptions.

Executive members reacted swiftly to Monday's decision by a mass meeting of toolmakers in Birmingham to stop paying their subscriptions until AUEW leaders press their case for separate negotiations to restore differentials.

The executive made it clear that its position is the same now as in last year's Leyland toolroom strike—it does not believe in separate bargaining rights for any group.

However, the executive is continuing with efforts to persuade the toolmakers that it is working to protect their interests and appears to hope that the threat to withhold subscriptions will not become a major issue.

Mr. Hugh Scanlon, president, said he believed the "good commonsense of our members will be of such a level that they will continue to meet their commitments to the union in the knowledge that steps are being taken to satisfy their legitimate demands."

Mr. Scanlon said negotiations were continuing on the proposed new five grade structure which it is hoped will solve pay parity problems in Leyland car factories by November, 1979. The toolmakers will be in the top skilled workers' grade.

"We are satisfied that the unions and the company will fulfil assurances given," he said. "Considerable progress has already been made."

If a large number of toolmakers support the plan to withhold subscriptions the AUEW will eventually be in the unhappy position of having to lapse them from membership.

Technicians' dispute hits Tyne Tees TV

BY NICK GARNETT, LABOUR STAFF

TYNE TEES Television has been unable to broadcast any advertisements or locally-transmitted programmes for over 24 hours because of a dispute with technicians.

More than 100 technicians at the company's Newcastle studios walked out on Monday after management warned that it was preparing to discipline one of them for refusing to transmit a Chrysler car advert last week.

The advert, using Scotland's footballers and extolling the virtues of Chryslers and Scottish football, was due to go out on the night Scotland drew with Iran and 24 hours before Chrysler officially withdrew it from the screens.

The company said yesterday that the dispute was about its right to discipline an employee.

On Monday, the 6 pm news magazine, Look Around, was not broadcast and since then a range of other programmes, including news and childrens' programmes and documentaries, have been affected.

Nationally networked programmes have been broadcast as normal. The loss of adverts over a 24-hour period costs an independent advertising company about £30,000 net, although some of the lost adverts would normally be broadcast at a later date.

Strike by 11 may disrupt industries

A DISPUTE over extra payments for handling "new technology" by 11 electricians could affect many of Britain's major engineering industries, including car and machine tool manufacturing.

The electricians are members of the Electrical and Plumbing Trades Union and employed at the Huddersfield factory of Brook Motors. The company, part of Hawker Siddeley, makes electric motors, widely used in factories in Britain and overseas.

The 11 men asked for extra money for working on "new technology" machinery last October but no agreement was reached because the payments would have created problems with craftsmen in other unions — notably the Amalgamated Union of Engineering Workers.

The electricians came out on strike in January. Other unions at the company have crossed their picket lines and it is alleged that management is now being allowed to do the electricians' work.

The electricians' union executive has now instructed its 120,000 members to "black" all new motors being delivered by Brooks throughout the country.

Machine tool companies are said to be already feeling the bite locally.

Michelin strike puts 2,000 jobs at risk

TWO THOUSAND jobs in the Michelin tyre factory at Mallusk outside Belfast were jeopardised yesterday by a continuing strike by 250 tyre finishers.

The men stopped work eight weeks ago after the sacking of a shop steward and the remainder of the 2,000 work force were laid off.

The strikers met yesterday to consider the management warning that they would be considered to have terminated their employment if they did not return to work yesterday. But they voted overwhelmingly to continue the stoppage.

A spokesman for the men said afterwards that they now regarded themselves as having been dismissed. Michelin said later that termination notices were being prepared and would be sent to the 250 men today.

Those laid off because of the strike were called back to work yesterday. The company reported an almost total response, but warned, that unless the strike ended, the factory could be forced to close.

There was more bad news for Ulster industry with the announcement that the Harland and Wolff shipyard had lost the chance of an order to produce parts for North Sea oil rigs.

It is understood that welders in the yard demanded North Sea pay rates for the job making it impossible for the company to compete at a competitive price. The order is to go to a Dutch yard.

Mersey Dock staff cuts

THE MERSEY dock labour force of 6,500 is to be reduced by more than 300 men accepting voluntary severance pay of up to £7,250.

The National Dock Labour Board of employers and unions agreed in Liverpool yesterday on the reduction. It has to be ratified at national level, where it is expected to be rubber-stamped because of the continuing high staff surplus on the Mersey Dock.

Those accepting voluntary redundancy are likely to be employed by the Mersey Dock Company, which employs two-thirds of the local labour force. Other stevedoring firms do not appear to have been troubled by any surplus.

A special meeting of the local dock labour Board will be held soon to discuss the mechanics of the reduction.

Tress closure goes ahead

THE Tress engineering factory at Newburn, Newcastle-upon-Tyne, is to close today in spite of a campaign to keep it open by the 300 workers.

Tress was taken over by the National Enterprise Board nearly six months ago. The closure announcement was made earlier this month during a strike by 180 engineers. Management said the plant was not viable.

Hospitals face strike by electricians

A STRIKE by electricians and plumbers will hit 11 London hospitals on Monday.

The men are walking out of Bart's, King's, Northwick Park, the Royal Free, St. Thomas's, Guy's, Charing Cross, London, Hammersmith, University and Whittington over a pay claim.

A ban on overtime and refusal to operate standby duties will disorganise other hospitals.

The men want the same pay rates as similar workers in the contracting industry.

Disconnections threatened

By Our Belfast Correspondent

THE Northern Ireland Electricity Service, which is now owed £9m, warned yesterday that it would shortly begin to disconnect supplies to about 16,000 householders.

Although 12,000 consumers recently agreed to repay their arrears, Mr. John Gaston, chief executive of the NIES, said the time had come to "get tough" with others who had refused to come to an arrangement.

Union attacks ICI strategy

BY KEVIN DONE, CHEMICALS CORRESPONDENT

THE General and Municipal Workers Union has again attacked Imperial Chemical Industries' investment strategy in the light of industry reports that the company is considering major additional capital expenditure in West Germany.

Mr. David Warburton, the union's national industrial officer, has specifically criticised reports that ICI is planning to build an ethylene plant at Wilhelmshaven, its recently-acquired site in northern Germany.

ICI has already announced investments totalling £200m for the site to make chlorine and related products. This is part of a parallel investment strategy for the UK and the Continent at a present cost of £340m.

ICI denied at the weekend that any proposals for a cracker (ethylene plant) had been submitted within the company.

However, Mr. Warburton has written to Mr. Maurice Hodgson, ICI chairman, calling on him to issue a categorical denial that the company has any plans for ethylene manufacture in Germany.

He said yesterday: "For over two years we have been told that there is over-capacity in Europe and it would be uneconomic to build ethylene crackers in the UK. If the report we have is correct, it means that Britain's largest chemical firm is to build an ethylene cracker in Wilhelmshaven where they will use North Sea feedstocks.

"If the report is correct, I can only express my disgust at the way in which ICI has acted. They gave assurances that their German investment plans would not jeopardise jobs in the UK and even said the projects would help jobs here."

The industry reports appear to have stemmed from inquiries plant contractors have made to ICI. An ethylene plant would be a logical development in the long-term for the Wilhelmshaven site considering the products planned by ICI.

It is thought though that any plant is unlikely to be built for several years at least. ICI has said already that nobody in the company is working on cracker plants for northern Germany.

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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● AVIATION

Guides the smaller planes home

RCA Avionics has a new lightweight weather radar for high-performance single-engine aircraft designed to fit inside the leading edge of the aircraft's wing.

The system's transmitter, receiver and antenna have been integrated into a single unit for the inside-wing mount. The indicator, which displays weather conditions for the pilot, fits compactly into the cockpit instrument panel. The total system weighs only 15.5 lbs.

Weather Scout I, and its companion Weather Scout II for light twin-engine or for single-engine aircraft using a wing-pod mount, are part of a new family of weather radars for light aircraft.

The new radar has a range of 90 nautical miles, with intermediate steps of 12, 30 and 60 miles, and scans weather conditions ahead of the aircraft in a 90-degree sector. It has RCA's X-Y scan which permits the use of alpha numerics to display range and mode information without interfering with the weather information being displayed.

RCA Avionics Systems, 8500 Balboa Blvd., Van Nuys, Calif 91409, U.S.

● PROCESSING

Sand cleans machines

THERE IS no danger of products being marked, as can happen with sandblasting, or chemicals remaining on surfaces to harm future handlers, says Factory Cleaners of its special machinery laundry service.

Said to be the first hot fluidised sandbath service to be used as an industrial cleaning process in the U.K., the method was originally developed for use in the product finishing industry. The process has now been developed for the cleaning and stripping of electric motors, tools, cabling, electrical and electronic apparatus and various kinds of moulds, machinery and equipment.

Basically, the principle involves a sandbath furnace filled with fine foundry sand; an electric fan pressurises a system of manifolds in the base of the furnace with air, heated by several burners; the hot air heats and fluidises the sand reaching a temperature of 500 degrees C. The sand is circulated and heated through a gas burner and a second burner in the exhaust duct burns off any pollutants and impurities.

Sand in such a fluidised state allows a gentle transfer of heat to metal objects and gently removes paint, resins, epoxies, grease, etc., from objects without pitting or burning the original surfaces.

The capital cost to a firm of installing such equipment would not be economical unless it were being used continuously and the installation of the unit at one of the company's premises in Clapham, South London, allows for the collection of products to be taken to the plant for cleaning and their subsequent return to customers.

Cost will be governed by the time taken to clean objects—at present, it works out at around £45 per hour but, says the company, a relatively small number of products from several customers could go together in one immersion.

More information from the company at 42 The Croft, Harlesden, London NW10 4NR (01-965 6615).

Sieving special products

BECAUSE OF the stringent needs of the pharmaceutical and allied industries—especially with regard to drugs, baby foods, etc. —where standards of product safety and cleanliness are paramount, Russell Finex has made a special version of its Finex 22 vibratory sieving machine.

Electro-polished stainless steel is used for all contact parts and, in keeping with the overall sanitary design, the outer surfaces of the unit are also in easy-clean stainless steel.

Features retained in the new model include multi-decking, speedy demountable and easily remeshed sieve frames which, says the company, together with other accessories ensure the required production performance whether on liquid or powder type applications.

More on 01-930 9923.

● LEISURE

Gives a first-class finish

IT IS not simple to provide a good finish for do-it-yourself swimming pools. But in the opinion of the National Research Development Corporation, the kit produced for this market by Newbourne Mouldings overcomes the problems.

It consists of a one-piece moulding and the required water-treatment plant which is simply inserted into a prepared hole, the pool shell being manufactured by vacuum-forming.

In this process, a sheet of thermoplastic material is heated and forced into the shape of a mould by evacuating the space between them. Ideal for making products from sheet when high strength and good appearance are mandatory, the process results in a pool shell with no joints or seams, having integrally moulded steps at each corner, with a hand grip running around the perimeter. This gives both safety and rigidity.

Excavation has been kept to a minimum not to blunt the enthusiasm of the DIY clientele and the maximum size of the hole would not exceed 16 x 9 x 3 feet, digging being minimised by raising the pool some 18 inches above normal ground level and using soil removed from the excavation for landscaping.

NRDC has provided funds to help in the production of the moulds for what is one of the biggest vacuum formings so far manufactured in the U.K.

Details of the processes used are available from Cascade Pools and Leisure, Forsyth Road, Sheerwater Industrial Estate, Woking, Surrey GU21 5SG. 04862 69881.

Sun heat for the pool

SOLAR HEATING industries in the UK are going through a period of consolidation and more gradual expansion, while in several European countries, there is a virtual explosion of new installations, with the result that UK companies are finding a ready market for solar panels outside Britain, according to Robinsons Developments.

This company, which collaborated with ICI in the development of solar panels based on a special formulation of the latter's polypropylene plastics material, has produced panels and systems designed specifically for relatively low temperature applications, such as swimming pool heating.

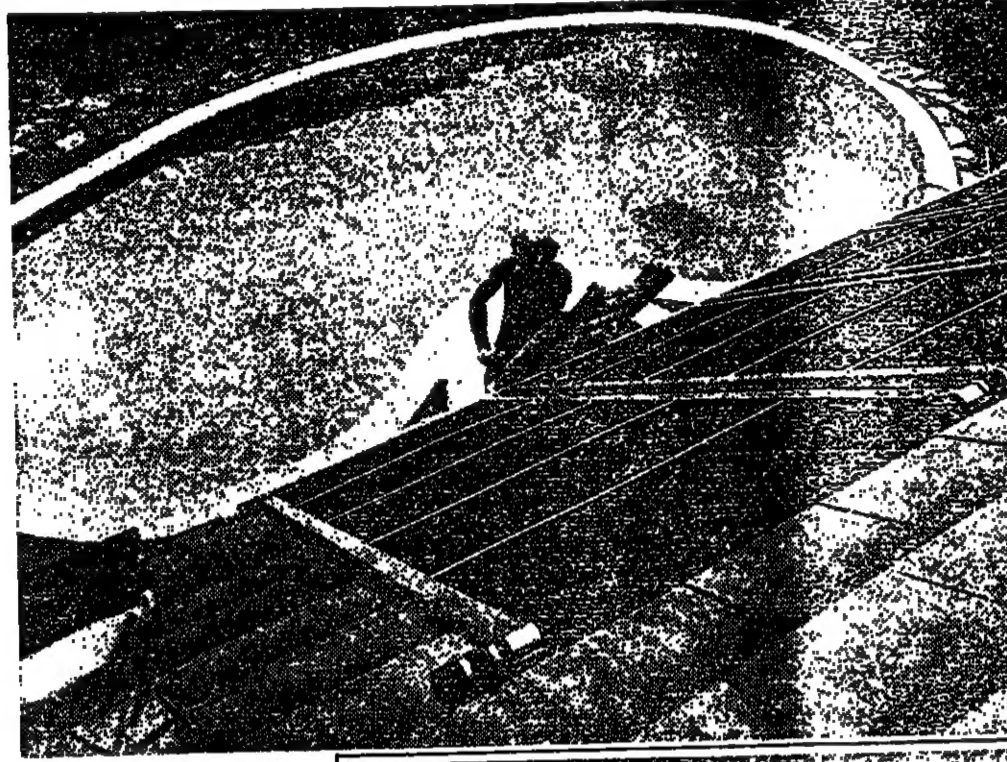
With overseas orders accounting for some 50 per cent business, the company has recently secured orders from Sweden and Switzerland for very large systems for municipal pools, the Swedish orders—for two pools—being funded by the Swedish Building Research Council which has entrusted Linkoping University with the task of establishing detailed performance data.

One of the installations, with some 300 sq metres of Suncell panels supplied by Robinsons, will be set up at Skelleftea in Northern Sweden, which is at about the same latitude as southern Iceland. But the long summer daylight hours will be significant in providing extended heating periods and the panels are expected to save the equivalent of 150 MW hours per year.

A comparable investigation is being carried out by Robinsons in the UK where 50 outdoor pools of various types, half with solar heating and half with no heating, are to be compared closely in temperature performance over the next few months. All the heated pools have Suncell panels.

The purpose of the survey is to provide information from a statistically representative number of solar heat pools across Britain and the results will be published as one of the papers to be presented at a technical meeting of the UK Section of the International Solar Energy Society on solar heating for swimming pools. This is to be held at the Royal Institution in London on October 18.

Further details of the Suncell panels and the Oasis heating systems in which they are fitted can be obtained from Robinsons Developments, Robinson House, Winnall Industrial Estate, Winchester SO23 8LH (0962 61777). The Royal Institution is at 21 Albemarle Street.



At this swimming pool, nearing completion at a house in Hitchin, Suncell Oasis sun heat collectors are being installed to provide free heating to the water in the pool, which will be particularly acceptable if the present somewhat chilling weather continues.

● TRANSPORT

Units go over the waves

THE TRANSPORTATION of fruit, and frozen fish from the Canary Islands to Britain, is being effected in packaged refrigeration units — originally designed for road transport— which have been newly adapted for seagoing container duty by Transfrig, Cranbourne Road, Gosport, Hants, PO12 1RJ (07017 88131).

The company's standard DEL 90 series transport refrigeration unit is fitted with a diesel engine driven compressor which also has a standby electric motor drive for emergency use and for quiet overnight running at the depot, but for the marine version the electric motor becomes the principal drive and it is rated for plugging into the ship's electrical supply system. The diesel engine is then reserved for standby duty and for use when moving the container by road.

This self-contained refrigeration package is mounted through a hole cut in the container front bulkhead which is recessed so that the equipment does not extend beyond the overall container frame, as required by ISO legislation. The condensor section is exterior to the box while the evaporator section protrudes into the refrigerated space.

Because of the hazards of salt water corrosion, spray, etc., exposed metal surfaces have been finished with marine quality paint, corrosion-resistant steel condensing coils have been additionally treated and the totally enclosed waterproof electric motors have been externally protected. Electrical wiring and control components have been housed in separate, watertight compartments and the wiring looms also specially protected.

Each of the containers will hold about 500 cartons, or about 12 tonnes, of fish which is deep frozen to minus 20 degrees C before loading, the temperature maintained throughout the voyage, and the unit is fitted with automatic defrost using the Transfrig hot gas reverse cycle system.

● COMPONENTS

Fuse will not blow

RELAYS, semiconductors and electronic modules are often protected against overloads with wire fuses. Where operating voltages do not exceed 33 V and currents around 400 mA, Siemens is offering PTC resistor-fuses, which assume such a high resistance when exposed to overloads or overtemperatures that no damage can be done.

On termination of the fault condition it is no longer necessary to replace a blown fuse. The system is immediately ready for operation again.

The new fuses, which require no special case, can be inserted directly in the circuit they are to protect. The actual protective element measures 7 mm x 7 mm with a maximum thickness of 2.5 mm and has 25 mm long terminal leads. The reference temperature at which the resistance suddenly shoots up is 120 degrees C. The continuous current in the protection condition remains below 100 mA. On termination of the overload condition the normal operating condition is automatically restored.

The new overload protector P8390-F51 is already being used to protect remote control relays in slide projectors. Such equipment is particularly prone to electrical and at the same time thermal overloads and can thus be very easily damaged.

Siemens, Postfach 103, D-8000 Munich 1, Federal Republic of Germany.

● SECURITY

Alarm for small users

PEOPLE LIVING alone in flats, maisonettes and other small dwellings are often afraid of burglary attempts.

Now, with the use of a small box alarm fitted to the inner side of an external door, illegal entry is immediately signalled by a magnetic switch triggering off an alarm which, says the maker, emits sufficient noise to alert neighbours in the average block of flats or, in the case of a small shopkeeper, informs passers-by of unauthorised entry.

Designed for easy installation, the box (6¾ by 4¾ by 2¼ inches) can be attached with ordinary wood screws or double-sided tape supplied by the makers, and is powered by a small battery.

Further from Delta Security, Castle Street, Axminster, Devon. 0297 32033.

● TEXTILES

Mouse finds spinning problems

INCREASINGLY, [illegible] machinery is now being [illegible] in various ways and the data collected in computers. [illegible] machine speeds increase [illegible] ments rise and the need for higher efficiency makes itself felt, the practice is bound to increase.

The Swiss instrument [illegible] Zellweger Uster (British [illegible] G. W. Thornton and Sons, [illegible] Eden Place, Cheadle, [illegible] 1AU. Tel. 061 428 [illegible]) has developed a simple and inexpensive system of monitoring spinning machines of all kinds.

What is called [illegible] travels along the ring rail [illegible] registers any stops [illegible] encounter. After completing a traverse of the rail it returns and should the traveller still not be functioning the mouse [illegible] the stoppage to a [illegible]. This stores the information [illegible] gives details of ends down on each spinning frame equipped with this new piece of instrumentation.

● HANDLING

Carries lesser load

A LIGHT duty overhead chain conveyor which has been designed to cope with loads of up to 15 kgs per hanger has been introduced by Redman Fisher Engineering, PO Box 12, Birmingham New Road, Tipton, West Midlands, DY4 9RJ (02073 4141).

Called the Flowrunner, it is offered as an alternative to the company's Flowlink which handles 45 kgs loads. The new addition to the range is said to have the same robust and durable qualities as its bigger brother and among its main features are the 6 inch pitch chain (allowing the utilisation of small radius bends), the totally enclosed chain for protection, and the versatility where a number of applications is concerned.

The conveyor is driven by 1½ hp motors and a wide range of different speeds is offered in both single and multi-drive forms.

LOMBARD

Unearned income

BY ANTHONY HARRIS

NO APOLOGY is needed for a second column concerned with the Bank of England's ingenious corset control on the banks, the squeeze with a friendly embrace, for this mechanism is still widely misunderstood; but an apology is perhaps due to Messels, quoted here yesterday as an example of City euphoria over the present monetary comedy. Ever since the Budget Messels have fairly consistently taken an optimistic view of the problems before us, so it is not inconsistent to be optimistic when we return to Square One. One may not agree, but it's a point of view.

Let us turn our attention, however, from the gilts market to the banks, now struggling profitably to meet the new requirements. The profit arises from the fact that since the banks positively want to get rid of interest-bearing liabilities, and to impose no discouragement on would-be borrowers, wide spreads are very much in the spirit of the squeeze. Disintermediation can be fun.

Combination

Indeed, if you consider the whole combination of bank margins, bull market, and a long tap for the pension funds on terms which are like a happy dream the whole-package is a bit of an uncovenanted City benefit. The discount houses may, of course, have taken a bit of a book loss, but they can look forward to the profitable descent of Duke's Hill, as interest rates come down step by step. Since this is the outcome of what was called an *eyeball-to-eyeball confrontation*, it is a bit like pelting your enemies with roses. Beastly foreigners in the exchange market may be caught in bear squeezes, but not the Bank's friends in the City.

However, apart from what may be called the unearned income aspect of the thing, what is the effect on the economy? There has been much talk of the pressure on the banks to cut down their lending; but this statement is in fact highly misleading unless it is surrounded by a positive forest of ifs and buts.

Some of the reservations are to do with the distortions in the figures. If you have been holding a deep breath while you are measured for a corset—lending money to the discount market and borrowing it back, building up your leasing subsidiaries ahead of demand, and indulging in all the other little tricks which are easy to suspect and hard to prove—then it may be a positive relief to let that breath out again. All this contrived lending can be replaced in due course with genuine and profitable lending. In other words, the more the figures were distorted before the corset was imposed, the easier the fit now is. Some banks at least look pretty relaxed.

However, even if the figures were not distorted at all—and they certainly were—the take-off in the gilts market itself is an enormous help. The sum is simple enough. In a normal regime, excessive bank lending tends to inflate the money supply unless there is enough official funding to offset it. Under a corset regime, excessive monetary growth is heavily penalised, so that its growth can be taken as more or less fixed. The amount of bank lending permitted then depends quite directly on the success of funding. The more money the Government extracts through sales of securities, the more the banks can replace by new lending. Therefore a gilts boom means still more good news for the banks. The whole system gives a new meaning to the words "unearned income."

However, let us suppose for a moment that the banks do have some problems getting inside the limits laid down for them. This, it is popularly supposed, will lead to a really tight credit squeeze, with stony-faced managers up and down the country refusing loans. But to whom? Shopkeepers? Then one can imagine a growth of trade credit, so that it is the priority industrial borrower who asks for the loan. Personal borrowers? Within quite substantial limits, the most credit-worthy can borrow without permission against a whole wallet-full of credit cards. It is really not so quick and easy as it sounds to limit lending in a regime in which credit is kept relatively cheap. Much easier to sell investments from bank portfolios, or persuade depositors of the superior attractions of local authority deposits.

Imposition

The conclusion which suggests itself to me at least is that the imposition of the corset will resolve the crisis *if* and only if the crisis was as deceptive as the measure which is being used to cure it. If the apparent explosion of the money supply was all a matter of uninvested institutional money, it will now vanish. If the apparent explosion in lending was largely got up by the banks in preparation for the corset, it will vanish too. But if there really is a surge of loan demand or a drop in the savings ratio, the package has merely cleared the statistical ground for the next crisis, to one about the real economy and the balance of payments. The one real problem which may have been solved is the build-up of corporate funds: that money will be bled off through national insurance contributions, with no joy for anyone. But then industry does not enjoy the able advocacy of the Bank of England.

Some best buys for bedding out

GARDENS TODAY

BY ROBIN LANE FOX

IT IS THREE YEARS since we have had such an amenable season for moving the summer's bedding plants. Most of them, petunias and marigolds especially, prefer a dry sunny season once they are established. Since 1975 they have been hit by hot dry weather from the fortnight before and after they ought to go out. Occasional rain and clouds for the next week or so will see them well established and growing away smoothly before it hots up again.

If you still want a few quick and bright bedding plants for the edges and odd corners, consider the convenient *Nemesia*. It is well up to the cramped life in boxes which growers have to inflict on it. It is quick to flower, so you could still sow some more seed to follow on in early August. Seedsmen are stating proudly on the packet that they have "almost eliminated" the lilac-blues, whites and paler pinks for which I used to buy them. You can now have "sunset hues" as never before, but at a height of about nine inches they are not too awkward to place. Though they last less long than *petunias*, unless you dead-head them thoroughly after their first flowering, they are bright and a good buy, too, for a sunny window-box.

One useful point. Half-hearted gardeners sometimes complain that their bedding plants never bush out and flower, instead, when too small. The excellent newish sweet peas are frequent culprits. So too, are stocks bought as ready-made plants. If you cut out the first few flower-buds, you will force the plant to spread and get on with the job. In a dry June, especially, they will otherwise try to bolt to seed when too small and give up the struggle. Cope with that, and you will have no problems.

Remember, however, as you pay your 40p for 10 straggling Snapdragons that now is the urgent moment to be sowing cheap seed of next spring's bedding plants and cutting the bill for wallflowers, Sweet William and the rest. Search, above all, for the deep royal blue forget-me-not, as easy as cress from a seed packet and yet less often sold as a mature plant in the autumn to imprudent gardeners. The sky blues are quite pretty and will dominate a batch of self-sown seedlings. But the dark Lobelia-blue Forget-me-Not is quite another customer. Sow him now in a damp shaded line, about quarter of an inch deep and space him out after a fortnight above the ground. Avoid direct sunlight and you can then move the young plants among the tulips, replacing the petunias in late autumn. This is worthwhile and a job which we easily forget at this time of year. For new gardens, needing height and colour quickly, these biennials, the Canterbury Bell, tall silver thistle, grey-leaved *verbascum*, are a blessing.

What if you have missed the bedding-out "bus" completely? This happens, especially in a busy year. Perhaps you are now looking at the boxes on offer, raging at the prices which go up vertically the nearer you move to the city centre and wondering how you fill the usual gaps. Never fear, there is still time. Sown now; *nemesias* will make it by late July; so too will the admirably deep blue *phacelia*, one taller form of which, often sold as Blue Bonnet, shows flowers some six weeks after sowing. The usual sort is a winner, as rich a blue as lobelia and a quarter the trouble: it is hardy, easily pricked out and happy in dry weather. *Nasturtiums* are another good starter from an early June sowing. If you want to follow up a first round of bedding-plants in your window-box with something bright for August, you might like to sow the big seeds of a fully trailing *nasturtium*, one to a pot indoors. In late July you can pull out the old stocks and move these easy old friends into their place. Their seeds are so simple to handle that anybody can make sense of them.

The many bright South African annuals are generally, with me, all the better for a late sowing, mid-May or even mid-June if you can keep them moving smoothly. I am especially fond of the bright orange *ursinia* which soon catches up at this time of year and flowers at a height of about a foot. The taller big yellow-orange *venidiums* have those wide black discs in the centre and would be well away by August at their loose heights of two feet. The Californian poppy, however, which is still sold as *escholtzia*, is not the easiest thing to transplant and should be reserved for outdoor sowings on site. In June, you are best advised only to start off those annuals which can be moved from box to pot and pot to bed, so I should avoid anything with a tap root. Ten-week stocks are a good buy. They live up to their name and would now be aimed at early September. Even if you are buying all the bedding plants in boxes, it would pay to keep a few of these running on for late weeks.

Why do some gardeners grow these things so much better than others? Usually because they have not allowed their plants to be checked in their onward progress. *If you go out and buy the tallest stock in the* brightest boxes, you are falling into a trap. Lower plants, more widely spaced, are the best buy. When you plant them out, put water into each hole before you put the plant in on top: first in, it is last out and will see the plant through a drought. Personally I give liquid manure to almost every annual except the *Nasturtium* which runs to leaf when too well-fed. Bedding plants in Britain are almost always starved. You need luck, too, with the weather and your timing, but commonsense, dead-heading and a little cunning will leave their mark even here.

Willie Carson's mounts give him an edge on Pat Eddery

RACING

BY DOMINIC WIGAN

PAT EDDERY and Willie Carson, who are locked in the closest battle for the jockeys' championship since Carson pipped Tony Murray in 1972, take in both Newbury and Beverley today. Each has some likely looking mounts with the balance apparently in favour of Carson.

The popular little Scotsman, who goes to scale at 7 st 10 lb compared with Eddery's 8 st 2 lb, could have three or four winners. Salamis, Bolide and Procella are likely to form the backbone of his success.

Sir Michael Sobell's so far unsuccessful Salamis, among the runners for the Twyford Stakes, strikes me as the best bet of the trio. She is a well-made chestnut filly by Sun Prince out of Bandarilla, who has already produced that top-class miler, Sallust. Salamis did not run too badly at Newmarket this spring when sixth to Seraphima in the Ladbroke Nell Gwynn Stakes.

With less to do this afternoon and the probability of good to fast ground in her favour, Salamis might get off the mark at attractive odds. I take her to win at the chief expense of Nesting, another locally trained filly who ran well at that Craven meeting.

Procella, one of two William Hastings-Bass trained fillies partnered by the ex-champion at Beverley, struck me as a useful middle distance filly in the making when she nearly succeeded in beating the Queen's Alma in a competitive little handicap over a mile at York.

Any improvement on that running should see Procella capable of conceding 10 lb to Pat Eddery's mount the once-raced Martingale, a half-sister by Luthier to that high-class racehorse and sire, Mount Hagen.

Whatever their fate with Martingale in the Grandstand Sweepstakes, trainer Peter Walwyn and Eddery should have at least one winner at the Yorkshire course's evening meeting. Town Lady, a chestnut Town Crier filly, did enough at Goodwood on her only previous run to suggest that she can follow up in the feature race, the Hilary Needler Trophy.

NEWBURY
2.0—Deed I Do
2.30—Tamanco
3.00—Robolin
3.30—Bolide
4.00—Dred Scott
4.30—Salamis***

BEVERLEY
7.10—Buffoon
7.35—Town Lady**
8.05—Procella*
8.35—Hannington

U.S.-British airliners 'a golden opportunity'

FINANCIAL TIMES REPORTER

BRITISH AIRWAYS has again called for the nationalised British Aerospace to go ahead with a joint venture with Boeing to build the next generation of civil airliners.

The call came in a memorandum to the airline's management from the main board. It said the Boeing proposal for its 757 medium-range jet would open a "golden opportunity for British air transport."

Rolls-Royce would provide the engines for such a project and British Airways said yesterday that the supply of engines alone could provide jobs for 10,000 engineers. It could also earn £4,000m in foreign currency.

In total, a British Aerospace link with Boeing would provide five times the work for British aircraft and aero-engine companies than would be likely to result from any co-operative European project, the memorandum said.

● Work must start immediately on airports for the 1990s, Lord Porchester, chairman of the south-east economic planning council, said yesterday in a letter to Mr. Edmund Dell, Trade Secretary.

Without an immediate start on the long lead items for new airports, traffic could well exceed airport capacity within 12 years, he said.

Lord Porchester was commenting on the Government White Paper on airport policy.

Poor roads cost £480m a year

BY LYNTON McLAIN

POOR ROADS cost Britain £480m a year in accidents, Mr. Stuart Mustow, West Midlands county surveyor, said at the Institute of Municipal Engineers' annual conference in Bournemouth yesterday.

More than one in four accidents had road condition as a contributory factor. It was the sole cause of 2.5 per cent of accidents in a survey of the Thames valley conducted by the Government's Transport and Road Research Laboratory in 1976.

Each accident cost society an average of £4,890 and, if the Thames valley results were extended to cover the whole of Britain, the total cost of accidents partially caused by poor roads would be nearly £500m.

Accidents on British roads increased last year to 348,186, compared with 339,673 the previous year, and 324,950 in 1975. Road maintenance costs have remained steady at between £550m and £650m since 1969. They reached a peak of £680m in 1973 to 1974, and are not expected to rise much above £550m up to 1982.

Mr. Mustow said there was no clear relationship between road maintenance spending and accidents, but he gave a warning about the need for caution in cutting spending plans.

Authorities should not take too restrictive a view of maintenance in order to save money.

TV/Radio

† Indicates programme in black and white.

BBC 1

6.40-7.55 am Open University. 9.38 For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 1.30 pm Bagpuss. 1.45 News. 2.01 For Schools, Colleges. 2.38 Tennis: The John Player Tournament. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Boss Cat. 4.40 Newsround Weekly. 5.10 Roobarb. 5.15 Regional News.
5.20 News.
5.30 World Cup Grandstand: Italy v West Germany.
7.35 The Likely Lads.
8.20 Feature Film: "The Hellfighters" starring John Wayne.
10.15 News
10.15 The Spinners.
10.50 World Cup Grandstand including coverage of Poland v Argentina.
1.20-1.25 a.m. Weather/Regional News.

All Regions as BBC 1 except at the following times:—

Wales—4.40-5.10 pm Bilidowcar. 5.10-5.20 Wales Today. 1.15 am News and Weather for Wales.

Scotland—5.15-5.20 pm Scottish News. 1.15 am News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.15-5.20 Northern Ireland News. 1.15 am News and Weather for Northern Ireland.

BBC 2

6.40-7.55 am Open University.
10.25 Gharbar.
11.00 Play School.
3.55 Tennis: The John Player Tournament.
4.55 Open University.
7.00 News on 2 headlines.
7.05 Bioscope Days.
7.25 Newsday.
8.05 Landscapes of England.
8.30 Call My Bluff.
9.00 News.
9.25 Brensham People.
10.15 "The Out-of-Towners" starring Jack Lemmon and Sandy Dennis.
11.50 Late News on 2.
12.00-12.15 am Music at Night.
BBC 2 Wales only—7.05-7.25 pm Heddiw.

LONDON

9.30 am Schools Programmes. 12.00 Here Comes Mumfie. 12.10 pm Daisy, Daisy. 12.30 News 12.55 Help! 1.00 Sounds of Britain. 1.30 Crown Court. 2.00 After Noon. 2.25 General Hospital. 3.20 The Rolf Harris Show. 3.50 The Electric Theatre Show. 4.20 Michael Bentine's Potty Time. 4.45 The Secret Pony.
5.15 News.
5.30 World Cup: Austria v Holland.
7.45 Coronation Street.
8.15 World Cup: Brazil v Peru.
10.45 News.
11.15 The Sweeney.
12.15 am Close: Music by Rodrigo, painting by Velasquez.

All IBA Regions as London except at the following times:

ANGLIA

12.55 p.m. Anglia News. 2.00 Houseparty. 3.20 The Andy Williams Show. 4.45 About Anglia. 12.15 a.m. World Childrens Day.

ATV

12.50 p.m. Newsdesk. 3.20 Mr. and Mrs. 3.50 The Sullivans. 4.45 ATV Today. 11.15 Rafferty.

BORDER

†12.50 p.m. Border News. 2.00 Houseparty. 3.20 Survival. 4.45 Lookaround Wednesday. †12.15 a.m. Border News Summary.

CHANNEL

1.18 p.m. Channel Lunchtime News and What's on Where. 3.20 Friends of Man. 4.45 Valley of the Dinosaurs. 6.30 Channel News. 11.28 Channel Late News. 12.30 a.m. News and Weather in French, followed by Epilogue.

GRAMPIAN

9.25 a.m. First Thing. 12.50 p.m. Grampian News Headlines. 3.20 Survival. 3.50 In Search of . . . Psychic Detectives. 4.45 Grampian Today. 5.10 Police Newsroom. 11.15 Police Woman. 12.15 a.m. Reflections. 12.20 Grampian Late Night Headlines.

GRANADA

12.50 p.m. This is Your Right. 3.20 The Amazing World of Kreskin. 3.50 The Jetsons. 4.45 What's New Special. 5.10 Granada News.

HTV

12.50 p.m. Report West Headlines. 12.55 Report Wales Headlines. 2.00 Houseparty. 3.20 Survival. 4.45 The Beachcombers. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 We Pack 'em in at any Price. 7.30 The Bionic Woman.

HTV Cymru/Wales—As HTV General Service except: 12.50-12.55 p.m. Penawdau Newyddion Y Dydd. 5.20 Miri Mawr. 4.30-4.45 Un Tro. 6.00-6.15 Y Dydd.

HTV West—As HTV General Service except: 12.50-1.00 p.m. Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

12.50 p.m. News and Road Report. 2.00 Women Only. 3.20 Glad Day. 4.45 Scotland Today. 7.45 Hello, good evening, welcome. 11.15 Late Call. 11.20 Streets of San Francisco.

SOUTHERN

12.50 p.m. Southern News. 1.30 Crown Court. 2.00 Houseparty. 3.20 Boney. 4.45 Day by Day. 12.15 a.m. Southern News Extra.

TYNE TEES

9.25 a.m. The Good Word, followed by North East News Headlines. 12.50 p.m. North East News and Lookaround. 2.00 Women Only. 3.20 Stars on Ice. 4.45 Northern Life. 12.15 a.m. Epilogue.

ULSTER

12.50 p.m. Lunchtime. 3.20 Survival Special. 4.18 Ulster News Headlines. 4.45 Lets Look at Ulster. 5.05 Reports. 12.15 a.m. Bedtime.

WESTWARD

12.27 p.m. Gus Honeybun's Birthdays. 12.50 Westward News Headlines. 3.20 Friends of Man. 4.45 Westward Diary. 11.13 Westward Late News. 12.10 a.m. Faith for Life.

YORKSHIRE

12.50 p.m. Calendar News. 3.20 Echo of the Wild. 4.45 Calendar.

RADIO 1 — 247m

(S) Stereophonic broadcast

5.00 a.m. As Radio 2. 7.02 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett including 12.30 p.m. Newsbeat. 2.00 Tony Blackburn. 4.31 Kid Jensen including 5.30 Newsbeat. 7.30 Sports Desk (joins Radio 2). 10.02 John Peel (S). 12.00-2.02 a.m. As Radio 2.

VHF Radios 1 and 2—5.00 a.m. With Radio 2, including 1.55 p.m. Good Listening. 10.00 With Radio 1. 12.02-2.02 a.m. With Radio 2.

RADIO 2 — 1,500m and VHF

5.00 a.m. News Summary. 5.02 Ray Moore (S) with The Early Show, including 6.15 Pause for Thought and 6.41 Sports Desk. 7.32 Terry Wogan (S) including 7.41 Sports Desk. 8.27 Racing Bulletin. 8.41 Sports Desk, and 8.45 Pause for Thought. 10.02 Jimmy Young (S). 12.15 p.m. Waggoners' Walk. 12.30 Pete Murray's Open House (S) including 1.45 Sports Desk. 2.30 David Hamilton (S) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.50 John Dunn (S) including 5.45 Sports Desk. 6.33 World Cup Sports Desk. 7.02 Sing Something Simple (S). 7.30 Sports Desk. 7.33 Listen to the Band (S). 8.15 Semprini Serenade (S). 9.02 Jack Buchanan. 9.55 Sports Desk. 10.02 Offbeat with Braden: Bernard Braden with true stories. 10.30 Hubert Gregg says Thanks for the Memory. 11.02 World Cup Report. 11.15 Peter Clayton introduces Round Midnight, including 12.00 News and 1.15 am World Cup report. 2.00-2.02 am News Summary.

RADIO 3 — 464m, Stereo & VHF

†Medium Wave only

†6.55 a.m. Weather. 7.00 News. 7.05 Your Midweek Choice, part 1 (S). 8.00 News. 8.05 Your Midweek Choice, part 2 (S). 9.00 News. 9.05 This Week's Composers: D'Indy and Duparc (S). 9.55 Music for Organ (S). 10.30 Bartok and Schubert, Chamber music concert (S). 11.35 BBC Scottish Symphony Orchestra (S). 1.00 p.m. News. 1.05 Concert Hall (S). 2.05 19th-century Church Music (S). 3.00 Mendelssohn's A Major-Minor Quartet (S). 4.00 Building a Library of records (S). †5.45 Homeward Bound. †6.05 News. †6.10 Homeward Bound (continued). †6.30 Life-lines: Language and Communication. 7.30 Llandaff Festival of Music 1978, part 1: Orr, Beethoven (S). 8.30 The Arts Worldwide. 8.50 Llandaff Festival of Music 1978, part 2: Berlioz (S). 9.45 Scientifically Speaking. 10.40 Songs for Tenor and Guitar by Britten, Seiber, Walton (S). 11.15 Itzhak Perlman concert (S). 11.35 News. 11.40-11.45 Tonight's Schubert Song on record (1925).

Radio 3 VHF only—6.00-7.00 a.m. and 5.45-7.30 p.m. Open University.

RADIO 4

434m, 330m, 285m and VHF

6.15 a.m. News. 6.17 Farming Today. 6.35 Up to the Hour. 7.00 News. 7.10 Today. 7.35 Up to the Hour (continued) including Thought for the Day. 8.00 News. 8.10 Today. 8.35 Yesterday in Parliament. 9.00 News. 9.05 The Living World. 9.35 Happiness is . . . with Bernard Falk. 10.00 News. 10.05 In Britain Now. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Something Appealing, Something Appalling. 11.50 Do Animals Talk? 12.00 News. 12.02 p.m. You and Yours. 12.27 The Spamfritter Man (S). 12.55 Weather: programme news. 1.00 The World At One. 1.30 The Archers. 1.45 Woman's Hour including 2.00-2.02 News. 2.45 Listen with Mother. 3.00 News. 3.05 Afternoon Theatre (S). 3.50 Choral Evensong from Canterbury Cathedral. 4.35 The Roof of Wales. 5.00 PM Reports. 5.40 Serendipity. 5.55 Weather: programme news. 6.00 News. 6.30 Quote . . . Unquote (S). 7.00 News. 7.05 The Archers. 7.20 File on 4. 8.00 Heaven and Charing Cross: Feature on the Northern poet Francis Thompson. 9.00 Science Now. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Frank Muir Goes into . . . Conversation. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

206m and 94.9 VHF

5.00 a.m. As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 p.m. Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 Black Londoners. 8.30 In Concert. 10.03 Late Night London. 12.00 As Radio 2. 12.05 a.m. Question Time from the House of Commons. 1.05 Close: As Radio 2.

London Broadcasting

261m and 97.3 VHF

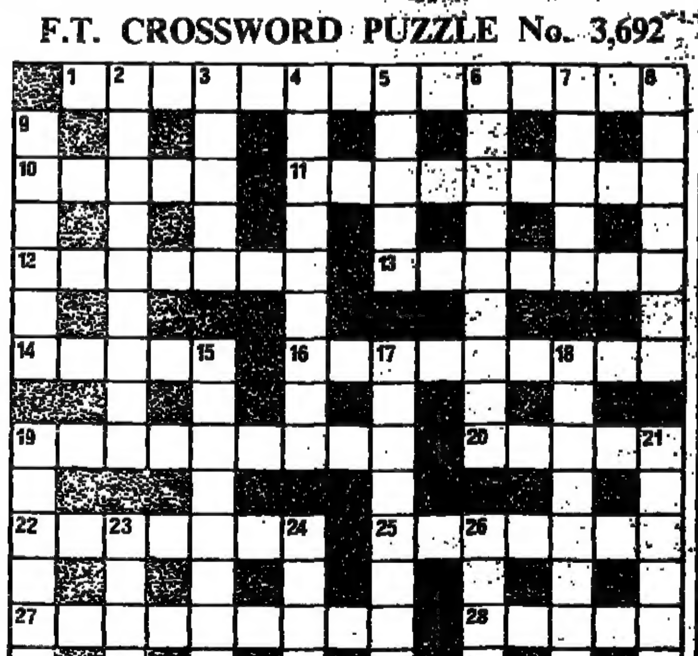
5.00 a.m. Morning Music. 6.00 A.M.: Non-stop news, information, travel, sport and review. 10.00 Brian Hayes Show. 1.00 p.m. LBC Reports. 3.00 George Gale's 3.00 O'clock Call. 4.00 LBC Reports (continues). 8.00 After Eight with Ian Gilchrist. 9.00 Nightline with Bryn Jones. 1.00 a.m. Night Extra with Adrian Scott.

Capital Radio

194m and 95.8 VHF

6.00 a.m. Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 p.m. Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Tony Myatt's Late Show (S). 2.00 a.m. Duncan Johnson's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,692



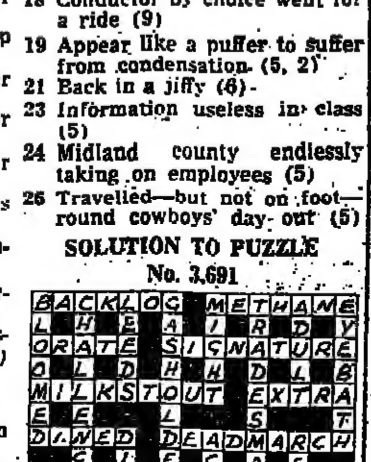
ACROSS

1 Sovereigns once worth half a crown apiece (7, 3, 4)
10 Scruffy race in Scots loch (5)
11 Upset by batsman's bonus (9)
12 Actor playing part of swearing soldier we hear (7)
13 Turner at Lords may be top (7)
14 The best 100 sheets of paper (5)
16 Back saleman strictly to keep going (9)
19 Undertake to have TV under control (3, 2, 4)
20 Stronghold loses objection for lock (5)
22 Absorb Reg's son some other way (7)
25 Rambling boy embraces deserter (7)
27 Get better confession of inability from beggar (9)
28 Flood for doctor to acknowledge (5)
29 Asserted oneself professionally when hard up (6, 3, 5)

DOWN

2 Student of The Man Within (9)
3 Confine to bed in store (3, 2)
4 Unauthorised books could make Cora happy (9)
5 Welcome Poles to plant (5)
6 Time trend was directed towards damage (9)
7 Month added to projecting stage (5)
8 Old-established supplier of bows with many branches (3, 4)
9 Still, getting radio interference (6)
15 Instrument taken by husband to party with family. (9)
17 Dog for the communist bone specialist. (3, 6)
18 Conductor by choice went for a ride (9)
19 Appear like a puffer to suffer from condensation. (5, 2)
21 Back in a jiffy (6)
23 Information useless in class (5)
24 Midland county endlessly taking on employees (5)
26 Travelled—but not on foot—round cowboys' day out (5)

SOLUTION TO PUZZLE No. 3,691



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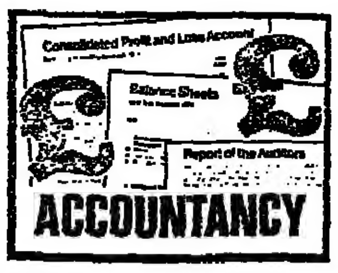


The battle to restore public confidence in auditing

BY DR. MICHAEL FIRTH

THE AUDITING profession in Britain is being subjected to increasing criticism. This has partly been occasioned by comments from Department of Trade inspectors who have investigated the collapse of publicly-quoted companies, and by the public comment when companies have missed profit forecasts made at the time of take-over bids.

In order to help restore public confidence in the standards of auditing, the major accountancy bodies have joined forces to set up an Auditing Practices Committee (APC). One of the major objectives of the APC is to produce a series of recommended standards on auditing principles and practice.

But more fundamental criticism is being levelled at the whole idea of company audits. For example, doubts have been raised on whether there are any benefits to be derived from statutory audits and, if there are, whether they outweigh the costs involved. (A recent estimate has put the cost of auditing the accounts of all stock exchange quoted firms in 1975-76 at over £109m).

Among the questions being asked are: does the audit function provide any safeguard against fraud by company directors? Does the audit report contain valuable information to the users of accounts? Does having a qualified audit report—implying some doubt on the auditor's part—make it harder for a company to obtain additional finance?

Study data

In order to provide some data on the question of the audit function's value, a study has recently been made into the impact of qualified audit reports on investment decisions. Specifically an examination was made to see if share prices were affected if a set of accounts were qualified. If share prices did not move at all then this would indicate that the stock market was not placing any importance on the auditors' report; this, in turn, might be taken to imply that the auditing function is of only limited use.

The study showed that three types of qualified audit reports do contain information which investors consider as significant in their portfolio decision making.

It was also made clear that investors do differentiate between the various types of qualification. This is backed up by evidence from elsewhere, which has shown that bank officers place considerable emphasis on some types of qualification when making lending decisions. There is no doubt that certain types of audit qualification considerably impair companies' creditworthiness and will make future financing that much more difficult.

Two suggestions for the auditing profession arose from the study. One is that some consideration should be given to releasing qualified reports at an earlier date, possibly when the earnings and dividend announcement is made (audit reports are attached to the accounts, which are usually published some weeks after the earnings announcement). At present, investors react to an earnings and dividend announcement and then have to revise their judgments when they learn, some weeks later, that this figure has been qualified in some sense by the company's auditors.

Secondly, because investors do differentiate between the reasons for qualification, some consideration should be given to explaining these reasons more fully. This would enhance the information value of the audit report.

Ideally, the reason for the qualification should be very specific and include estimates of the amounts of money involved (such as probable degree of underprovision for doubtful debts).

This suggestion is strengthened by the currently widespread criticism about the lack of information contained in a qualification.

In recent years there has been a large increase in the number of qualified audit reports in Great Britain. For example, a recent survey found a total of 176 qualified audit reports in the year ending June 30, 1976. Other surveys based on recent periods have shown similar figures. There are three major reasons for this big upsurge in audit qualifications.

First, the liquidity crisis that hit British industry in the mid-1970s left many firms with significant cash flow problems, so they have required substantial banking support. This reliance on banking support has often led to an audit qualification.

Second, increased adverse publicity has been given to companies that have been made bankrupt even though they possessed clean audit reports in their last published accounts. For example, many auditors have come under critical fire from Department of Trade inspectors investigating the sudden collapse of major stock market quoted companies. The adverse publicity, and the growing concern over possible legal actions, have led the auditing profession to be more cautious, and more qualified reports have resulted.

Third, the issuance of Statements of Standard Accounting Practice (SSAPs) — by the Accounting Standards Committee — has increased substantially in the past few years, so that the chances of companies not complying with at least one of them — and thus receiving a qualification — have increased.

In a recent study of the impact of qualified audit reports on investment decisions, seven major different types of audit qualifications were identified. These were:—

1. True and fair view. Sometimes the auditor states little more than that he cannot say, in his opinion, that the accounts show a true and fair view.

2. Going concern. The recent liquidity crisis in the U.K. has left many firms dependent on their bankers for continued survival. This especially applies to property companies and fringe banks, who were badly caught out with the property and stock market slumps of the mid-1970s. The accounts are qualified on the basis that if the bankers withdrew their support the companies would be forced into bankruptcy.

Impact of Audit Qualifications on Share Prices

Type of audit qualification	Qualified reports: Movement in share price %	Qualified reports: Companies which suffered falls in share price %	Control group: Movement in share price %	Control group: Companies which suffered falls in share price %
True and fair view	−2.1	80	0.0	47
Going concern	−4.1	89	0.0	49
Asset value	−5.0	82	0.0	54
Subsidiary's audit	−0.1	67	0.0	47
SSAP	−0.7	69	0.0	50
SSAP but concur	0.0	48	0.0	52
Continuing qualification	−0.3	64	0.0	53

3. Asset values. Audit qualifications of this type express doubts about the value placed on the company's assets in its balance-sheet. Typically, the assets which are involved include land and buildings (where valuations have been fairly volatile in the recent past), loans (where the solvency of the borrower is in doubt), debtors (bad debts provisions) and inventories (obsolescent stock).

The above three types of qualification may be expected to have some impact on investment decisions and share prices. For example, if an auditor qualified a set of accounts because of uncertainty over asset values, this might raise doubts in the minds of investors over the net worth of the company, and share prices could well be marked down. Unfortunately, audit reports are rarely detailed enough to give much information about the degree of uncertainty; little information is usually given on the extent to which a company's assets and profits are overstated and its liabilities understated. This makes it impossible for investors to adjust share prices to the correct extent for the information contained in a qualified audit report, although some form of adjustment is likely.

4 Subsidiary's audit. Published accounts are sometimes qualified if the accounts of a subsidiary have either not been audited (usually when the subsidiary is based overseas), or have been audited by a different firm of accountants (the latter is only generally applied when the subsidiary's auditors are of an unknown standing).

5. Statements of Standard Accounting Practice (SSAPs). Auditors will qualify accounts if they are not drawn up in compliance with the SSAPs in force at that time. Opinions differ as to whether SSAP qualifications are meaningful—in that they have an impact on a company's share price. It could be said that they ought to have no impact on share prices, as the qualification relates to the method of accounting and not to whether the accounts show a true and fair view. This is the view taken by many industrial and commercial companies, which do not seem to be unduly worried about having their accounts qualified on this score. But there is the counter argument that, if SSAPs are not being followed, it is because the alternative accounting treatment being used reports higher profits and higher net assets.

Alternative

6. "SSAP but concur." In a growing number of cases auditors are qualifying accounts on the basis of non-compliance with SSAPs, but at the same time stating that they concur with the alternative accounting treatment being used. Auditors often agree with alternative treatments because SSAPs are produced with an "average" company in mind, and the specific firm being audited may be subject to significantly different trading circumstances.

7. Continuing audit qualifications. Many companies receive the same qualification every year. "Continuing qualifications" may, to some extent, be anticipated by the stock market and hence their impact on investment decisions may be discounted.

Until now there has been no examination of the impact of qualified audit reports on share prices. In order to remedy this a study of the share price movements of 247 companies receiving audit qualifications in the mid-1970s was made. The movement in the share price for each day, after allowing for its normal volatility and changes in the market index, was calculated. This was done for a period of 40 days surrounding the release of the audit qualification. The results were then compared against the share price movements of a control group, which consisted of companies that did not receive an audit qualification.

The control groups were built up by pairing each "qualified" company with a company with a "clean" audit report and which was in the same industry and was of approximately the same size in terms of market capitalisation. If any significant differences occurred between the "qualified" group and the "non-qualified" group, then this was attributed to the information content of the audit qualification.

It was found that the significant share price movements that did occur all appeared on the first day after the release of the qualification. Thus there was no evidence of a qualified auditors' opinion being either leaked or anticipated by the stock market prior to the release of the annual accounts.

Equally the stock market reacted immediately to the information contained in a qualified report and, on average, no further share price revision was needed. Because of this, the results for only one day, the day after the release of the annual accounts, are shown in the table.

The table shows the percentage movement in share prices (column 1) and the percentage number of companies which suffered falls in their share prices (column 2). Columns 3 and 4 are equivalent to columns 1 and 2 but relate to the "unqualified" control group. As postulated earlier, we might expect the various types of qualification to have different impacts on share prices.

The table shows quite clearly that "true and fair view," "going concern" and "asset value" qualifications all had substantial share price falls associated with them. For example, the share prices of "asset value" qualified companies fell, on average by 5 per cent. This compares with a neutral share price performance of the control group. The 5 per cent price decline can be fairly attributed to the audit qualification — this being the only difference between the two groups. Column 2 shows that over 80 per cent of the "asset value" qualified companies suffered price declines upon the release of the qualified audit report. Clearly investors were using the audit qualification to alter the values of these securities.

Investors

In contrast, the other types of audit qualification suffered only very small reductions in share prices; these could be attributed partly to chance. It is interesting to note the difference between "SSAP" and "SSAP but concur" qualifications — the results suggest that investors do differentiate between these two types of qualified opinion and that auditors should always express an opinion as to whether they concur with an "anti-SSAP" accounting treatment adopted by a company.

From the results of the study it is suggested that audit reports should be released at an earlier date, and that much greater detail of the reason for the qualification should be given. Although there may be practical difficulties in implementing these suggestions, there are almost certainly some steps that could be taken immediately, especially relating to the expansion of the qualified audit report.

Dr. Michael Firth, a chartered accountant, is lecturer in accountancy at Stirling University.

M

Champions bow out

NO SHRED of doubt can remain about the impartiality of the staff who control the annual United Kingdom management championship. The administrators are mainly on secondment from International Computers which sponsors the National Management Game along with the Financial Times and the Institute of Chartered Accountants in England and Wales, in association with the Institute of Directors and the Confederation of British Industry.

So it can hardly be by the controllers' wish that, of the 16 teams which on Monday began the 1978 championship's semi-finals, no fewer than three come from IBM UK. And I gather that, although it has not been disclosed who has been drawn against whom in the four playing groups for the semis, the administrators have shunned the temptation to stick all the IBM teams into a single cage so that only one at best could survive for the £1,000 final in London on July 25.

Another group with three teams surviving, out of January's initial entry of 928, is ICI. One comes from the corporate laboratory in Runcorn. Both the others are from the subsidiary IMI Eley Ammunition. One of these finished the quarter-finals of the computer-based contest just ahead of the European management champions, John Chappell and Paul Webb of Rank Xerox, who have won the UK title for the past two years.

An oddity among the semi-finalists is an evidently one-man team from Lloyds Bank International which, in the current as in the previous rounds, has been playing by air mail and telephone from Japan. Given another win, this team will fly to London for the "on-the-spot" final.

The other surviving teams come from: Associated Nuclear Services, Epsom; Centre-File; Chloride Europe; Commercial Union Assurance; RIC Capacitators; Shell UK; Spillers Foods; the accountants Thornton Baker; and Vauxhall Motors.

Michael Dixon

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

No kidding

What, please, is the age at which a child can become a director of a private company?

Whilst there is no prescribed minimum age under the Companies Acts, the legal position of minors (under the law of England and Wales) makes it prudent to consider carefully the potential consequences of appointing a minor to the board of a company. You would do well to study one of the standard works on company law in a public reference library, e.g. paragraph 20-5 of Gore-Brown on Companies (43rd edition, Boyle and Sykes) published by Jordan and Sons Ltd (ISBN 0 85308 043 7).

Incomplete liquidation

Some months ago a private company went into voluntary liquidation and duly appointed a liquidator who in the absence of a tax clearance certificate will not complete the liquidation. The Revenue refuses to issue one on the grounds that one of the members (not a controlling one) and residing abroad must settle his outstanding tax affairs prior to the issue of such a certificate. Have the other members any legal means to compel liquidation?

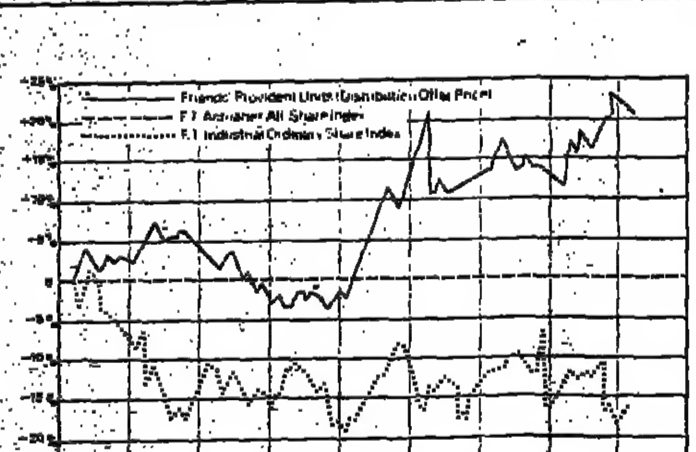
We think that you cannot compel the completion of the liquidation in the circumstances you outline. It may be possible to get the Revenue to quantify its (maximum) claim so as to enable the release of some assets. But the members are basically faced with having to persuade the absent member to regularise his affairs. If the Revenue do quantify their claim the liquidator could apply to the Court for directions (e.g. as to payment into court) to enable some payment out to be made.

Lost tax file

Mine is a one-man business and I have been informed that my tax file has been mislaid. As the Inspector needs to re-construct the file from scratch, he has requested photocopies of documents and other details from my accountant going back several years. This is putting me to a lot of inconvenience which certainly involves accountancy fees for work which has already been done once. Can you inform me as to my legal position?

We know of no clear authority, but suggest that you would be entitled to refuse to provide the copies sought so long as you afforded the Inspector of Taxes an opportunity to attend at your premises to inspect and take copies of the relevant documents. In practice (and because such a visit may have attendant disadvantages) your better course is to invite the Inspector to agree to pay your reasonable costs of obtaining the information.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.



LOMBARD

Unearne

.s June 16 for angling equipment makers. Peter Cartwright reports

Tackling the Orient

FOR A small but vital industry that during the war was singled out for protection to preserve its technology, fishing tackle makers seem to have been curiously indolent in defending themselves since against low-cost competition from the Far East. Only now is a survey being prepared with a view to lodging a formal complaint of dumping and it is being discovered that the industry is ignorant about even basic statistics like output, exports and imports, how many are employed and so on. The full impact of the transition from a craft dominated, labour intensive industry to a market oriented one backed by high production equipment is only just beginning to be realised, perhaps just in time.

With an estimated 3m fisher folk (for they are not all men: women and children are among them) angling used to be able to lay claim to being the biggest participant sport. The value of the market is a matter of guesswork. Some projections put it around £80m a year, including exports, with tackle makers providing perhaps £30m-£40m of rods, reels, lines, keep nets, floats, flies and so on.

Like most sports it is important to catch 'em young before some other stimulates their interest. The most lively section of fishers are those between 14 and 24, for after then family and other commitments come along. This year has been a poor one for new recruits, it seems.

Tackle makers complain that a disappointing season last year left a lot of shelves still full at the end of it, and they point to the competing claims among youngsters of the new craze of skateboarding and the inability of many school leavers to find jobs. But this does not appear to have had much effect in stopping the invasion of equipment from Japan, South Korea and Taiwan. Circumstances may even have been operating in their favour by causing most people to shop down market among the cheaper varieties of tackle.

The expert anglers — the minority who compete in "match" sport — continue to shop up-market. They use the more expensive French and Swedish reels and top class British rods. Their custom is of great importance to British tackle makers because the match angler buys equipment throughout the year, whereas those in the mass market do not.

The general plight of the industry, however, can be traced to its structure and to the technological change from split-cane rods made largely by craftsmen to largely mechanically made glass fibre rods. Ten or so years ago, 6,000 or more were employed in the industry mainly making basic items like rods, rings, the lines that pass through them, and reels. There were a good many craftsmen working on their own or with a colleague, making custom built rods, and a very few major producers. Today their numbers have dwindled to perhaps a dozen or 15 rod makers of any significance, with Hardy Bros. at Alnwick, Northumberland easily the biggest and employing in total 200 even after recent redundancies. Not long ago there were four big producers of reels: now there is only one, an Edgar Sealey factory in Cornwall and, sadly, a lossmaker for its American parent, Gladding International. Market share has fallen from 75 per cent to 25 per cent. Another American, Shakespeare, is a substantial maker of lines, and there is the Swedish Abu company on Clydeside, a distributor as well as a manufacturer.

Redditch, 14 miles south west of Birmingham, is a traditional centre of fishing tackle manufacture (as it is of the allied business of needlemaking) and has felt the sharp thrust of technical changes and the developing challenge from the Orient the most.

Ashley Ashwood

An angler with his tackle outside a London tackle shop.

This certainly seems to be borne out by the way in which imports have been moving ahead—from £1m in 1967 to £4m in 1975 and to almost twice that last year. On the other hand exports have not been standing still, having moved up from only £350,280 in 1967 to £1.5m in 1975 and to £2.7m last year.

But often it has been a case of "If you can't beat them, join them," and because UK makers cannot compete with the prices being charged by South Korea and Taiwan, makers of reels and blanks—bare rods—have imported them from these sources and from Japan, either selling them as completed tackle or assembling blanks for retailing by the angling shops. Even the biggest, like Hardy and Shakespeare, do this. So while cries of dumping are being raised, many in the industry are glad of the extra turnover this business represents.

In the popular and lower end of the market it is virtually impossible to match prices. The British equivalent of a Japanese rod priced at £4.07 (from Taiwan at £1.93 and from South Korea at £3.21) is £21.50. A Japanese reel priced at £2.94 (one from Taiwan at 61p in 1976—and from South Korea at £1.14) costs £3.50 for the equivalent British reel. On the other hand another comparison shows a very cheap South Korean reel at £1.99 as being only 11p cheaper than the cheapest British, while a better fixed spool reel from Japan at £5.95 is only £1 cheaper than its British equivalent.

Fundamentally it is a question of too many small units and not enough investment capital. The structural changes being made to make the industry more competitive are coming almost exclusively from the international groupings like Gladding and Shakespeare, or manufacturers who are part of a more diversified group.

What seems to have been responsible for the outcry is a combination of slack trade and the opening of a new factory by Daiwa, of Tokyo, the largest tackle making group in the world, with several factories in Japan and others in South Korea, Taiwan and California. The factory is at Netherton, in Lanarkshire, and is a fifty-fifty project with Grampian Holdings, a subsidiary of which, Millards, has for many years bought nearly 10 per cent of its reels from Daiwa for distribution and is also a substantial supplier of guide rings to the industry. What has deeply offended some other manufacturers is that the venture has received Government aid (it is in an assisted area)—"helping our trade enemies to set up in our home market," as one put it.

And, indeed, Mr. Archie McCunn, managing director of the factory, makes no bones about the fact that he is aiming to get at least 6 per cent of the market in rods to justify the investment. On the other hand, he is quick to point out that the other objectives are to build up healthy exports to Europe and to make a contribution to import substitution. The 90 jobs already created are 90 more in an industry that has been shedding labour in the past eight months.

However, the British scene is far from being one of unrelieved gloom. Shakespeare, which went through a very bad patch eight or nine years ago and staggered on for three or four years until drastic reorganisation brought recovery, now employs 75, half as many again as 18 months ago. It is also moving into a brand new factory on the Redditch industrial estate where £50,000 worth of the most modern equipment has been installed. And Hardy is maintaining its 45-50 per cent export achievement, far higher than most, and has Japan among its top three markets.

These are the kind of performances others in the industry will need to emulate, for international fishing competitions are bringing greater appreciation of the advantages of the other fellow's tackle and breaking down the insularity of national industries by creating more unified designs.

NOTICE OF REDEMPTION

To the Holders of

Phillips Petroleum International Investment Company

6% Guaranteed Sinking Fund Debentures Due 1981

Due January 15, 1981

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of January 15, 1966 under which the above-described Debentures were issued, Morgan Guaranty Trust Company of New York, as Trustee, has selected for redemption on July 15, 1978, through operation of the Sinking Fund, at the principal amount thereof, together with accrued interest to said date, $898,000 principal amount of the above described Debentures. The serial numbers of said Debentures so selected are as follows:

DEBENTURES OF $1,000 EACH

M 103	2014	3687	5376	6946	7904	9756	11840	13924	15161	16488	17216	19008	20232	21170	22592	23917
118	2026	3697	5383	6994	7969	9813	11854	13963	15229	16502	17219	19013	20246	21172	22602	23941
160	2038	3706	5409	7012	7995	9830	11863	13994	15230	16503	17226	19018	20265	21182	22627	24027
173	2122	3717	5414	7108	7998	9846	11956	13996	15268	16525	17227	19146	20266	21198	22643	24057
192	2123	3772	5427	7131	7999	9848	11958	14001	15314	16533	17245	19151	20269	21199	22693	24078
369	2252	3784	5428	7133	8091	9871	11961	14020	15331	16534	17261	19155	20281	21204	22730	24094
388	2281	3843	5443	7134	8093	10016	11978	14046	15419	16537	17281	19156	20310	21206	22747	24098
422	2292	3855	5454	7146	8212	10054	11983	14056	15442	16539	17321	19160	20312	21217	22755	24109
584	2307	3889	5524	7150	8219	10056	11984	14063	15443	16579	17372	19165	20382	21240	22770	24111
585	2404	3903	5759	7167	8258	10061	12006	14069	15467	16589	17381	19167	20384	21244	22771	24115
586	2422	3915	5783	7225	8266	10085	12022	14083	15503	16592	17388	19199	20389	21292	22775	24143
598	2555	3917	5784	7302	8287	10093	12030	14087	15613	16595	17404	19201	20392	21310	22783	24145
604	2556	3918	5786	7323	8364	10095	12035	14091	15623	16604	17505	19211	20401	21406	22800	24146
608	2588	3965	5856	7334	8538	10099	12049	14120	15703	16638	17509	19234	20402	21410	22837	24161
614	2607	3995	5871	7376	8549	10111	12146	14154	15728	16659	17516	19313	20404	21434	22847	24168
615	2608	4011	5878	7392	8554	10124	12156	14190	15772	16665	17534	19319	20424	21437	22857	24169
634	2614	4038	5883	7398	8557	10345	12217	14198	15773	16682	17619	19335	20427	21442	22887	24225
649	2632	4107	6024	7399	8612	10384	12230	14212	15786	16686	17774	19341	20440	21511	22915	24251
657	2638	4109	6032	7434	8619	10394	12265	14215	15935	16689	17776	19343	20442	21513	22926	24280
677	2656	4157	6048	7443	8759	10424	12270	14243	15938	16696	17795	19345	20448	21515	23009	24289
681	2682	4161	6103	7460	8810	10485	12305	14319	15997	16740	17830	19416	20452	21517	23016	24378
725	2741	4214	6104	7481	8815	10502	12312	14352	16044	16764	17880	19421	20461	21569	23020	24399
728	2799	4215	6138	7497	8875	10509	12334	14368	16058	16807	17910	19439	20477	21577	23038	24404
739	2801	4395	6188	7501	8884	10510	12419	14377	16062	16809	17922	19483	20478	21591	23051	24415
764	2857	4401	6234	7509	8920	10652	12421	14386	16077	16875	18082	19486	20482	21602	23067	24438
787	2861	4414	6236	7513	8927	10726	12448	14394	16078	16887	18087	19523	20523	21627	23117	24439
791	2864	4557	6347	7537	8930	10747	12637	14395	16093	16912	18088	19534	20529	21628	23143	24446
792	2870	4596	6414	7540	8977	10749	12655	14397	16131	16917	18101	19563	20640	21722	23162	24448
807	2931	4614	6422	7544	9047	10752	12659	14399	16135	16936	18102	19565	20643	21730	23193	24449
813	3000	4616	6463	7546	9071	10788	12791	14400	16171	16942	18289	19726	20669	21894	23334	24500
849	3009	4626	6473	7549	9138	10796	12792	14408	16174	16946	18294	19729	20673	21903	23336	24501
867	3015	4675	6511	7581	9237	10811	12857	14410	16180	16947	18367	19751	20728	21909	23433	24507
891	3024	4750	6552	7594	9238	10959	12873	14411	16181	16958	18371	19767	20732	21928	23434	24512
916	3093	4789	6554	7607	9242	10989	12886	14428	16183	16992	18374	19769	20734	21945	23555	24522
973	3100	4807	6561	7619	9301	11043	12937	14518	16187	17005	18463	19781	20743	21957	23711	24539
976	3104	4823	6567	7630	9305	11130	12979	14562	16188	17023	18470	19789	20757	21963	23712	24546
1049	3106	4825	6569	7635	9311	11132	12992	14667	16256	17046	18494	19800	20782	21987	23716	24621
1087	3110	4907	6573	7644	9331	11135	12993	14673	16259	17054	18503	19803	20790	22015	23726	24635
1092	3122	4931	6577	7646	9334	11181	13037	14678	16266	17063	18509	19805	20817	22022	23729	24642
1093	3177	4935	6597	7650	9338	11152	13352	14680	16268	17077	18532	19807	20820	22118	23733	24647
1162	3181	5077	6614	7653	9349	11170	13363	14692	16271	17086	18534	19820	20825	22153	23782	24747
1187	3182	5130	6625	7672	9361	11178	13393	14693	16279	17097	18556	19887	20829	22201	23794	24899
1194	3183	5141	6632	7690	9373	11184	13395	14695	16280	17113	18584	19949	20878	22206	23796	24912
1199	3229	5159	6670	7693	9413	11186	13470	14758	16284	17129	18587	19972	20893	22309	23821	24913
1300	3232	5160	6679	7703	9452	11279	13480	14759	16290	17143	18588	19974	20905	22341	23836	24930
1402	3245	5169	6682	7750	9470	11282	13488	14761	16306	17147	18591	20007	20909	22361	23850	24932
1411	3259	5179	6684	7769	9583	11316	13559	14794	16349	17148	18683	20008	20913	22364	23866	24943
1435	3267	5210	6685	7799	9590	11356	13621	14841	16412	17155	18694	20017	20929	22380	23879	24947
1456	3429	5248	6694	7801	9594	11360	13623	15007	16414	17156	18699	20027	20931	22408	23885	24956
1462	3436	5273	6722	7810	9716	11363	13637	15071	16425	17181	18802	20041	21065	22412	23895	24987
1834	3668	5286	6842	7840	9735	11512	13650	15101	16436	17186	18887	20044	21073	22493	23904	
1993	3669	5297	6843	7847	9741	11564	13653	15102	16434	17190	18998	20110	21141	22495	23909	
1997	3673	5340	6850	7887	9746	11796	13920	15143	16442	17201	19005	20229	21157	22530	23914	

On July 15, 1978, the Debentures designated above will become due and payable in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts. Said Debentures will be paid, upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either (a) at the **corporate trust office of Morgan Guaranty Trust Company of New York, 15 Broad Street, New York, New York 10015**, or (b), subject to any laws or regulations applicable thereto in the country of any such offices, at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main, London or Paris, or Banca Commerciale Italiana in Milan or Bank Mees & Hope N V in Amsterdam or Banque Internationale à Luxembourg S.A. in Luxembourg. Coupons due July 15, 1978 should be detached and collected in the usual manner. Payments at the offices referred to in (b) above will be made by check drawn on a bank in The City of New York or by transfer to a dollar account maintained by the payee with a bank in such City.

On and after July 15, 1978 interest shall cease to accrue on the Debentures herein designated for redemption.

Phillips Petroleum International Investment Company

Dated: June 14, 1978

NOTICE

The following Debentures previously called for redemption have not as yet been presented for payment:

DEBENTURES OF $1,000 EACH

M 924	4769	5431	7965	9858	13986	14088	16074	16186	16297	17080	17160	17200	19752	20419	20463	24636
989	4824	5506	7966	10393	13990	14244	16076	16198	16373	17082	17161	17282	20011	20421	20465	
1916	4841	7663	8295	10472	14010	14337	16082	16200	16413	17083	17163	17309	20012	20429	20471	
2587	4843	7670	8657	11853	14043	15372	16141	16202	17050	17121	17173	17310	20015	20432	20472	
2619	4844	7675	8659	11893	14076	16035	16146	16205	17061	17126	17176	18474	20268	20434	20475	
3056	5062	7696	9073	12112	14081	16047	16158	16234	17070	17130	17180	18668	20407	20441	20644	
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FINANCIAL TIMES SURVEY

Wednesday, June 14 1978

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Energy for Industry

Aid to industry and commerce worth £25m was announced by the Government yesterday to encourage conservation and the efficient use of energy. It comes at a time when it is vital that the temporary surplus of crude oil does not disguise the potential problems surrounding future energy supplies.

Oil glut only a brief respite

By Ray Dafter

BRITISH PETROLEUM managing director, Christopher Laidlaw recently warned that the potential problems of world energy supplies were being "dangerously disguised" by the general surplus of crude oil. The so-called glut of oil supplies had been induced by the continuing economic recession and yet, even now, consumers were using oil at a faster rate than the level of new discoveries. The "bath" of proven oil reserves was slowly draining even though the taps were running, he said.

The warning might well have been applied to Britain's energy position. For there is a real danger that consumers—presented with abundant supplies of home-produced oil, gas, coal and electricity—may be lulled into a false sense of security.

Worse still is the prospect of British industry emerging from a comparatively short period of energy self-sufficiency in a competitively weaker state than in recent years. Most of the other industrial nations dependent on large fuel imports will be forced (and helped) to adopt more efficient, energy-saving measures as costs inevitably rise. Their trade balance constraints will encourage such moves.

Although Britain will have substantial balance of payments relief from its self-sufficiency state, its energy consumers will not be shielded from rising prices. Oil prices are largely dictated by the main suppliers of free market crude, the Organisation of Petroleum Exporting Countries. North Sea oil and gas prices, and to a large extent the costs of coal and electricity, will continue to be influenced by OPEC's actions. And those actions, according to the latest Department of Energy forecasts, could lead to at least a doubling in oil prices in real terms by the end of the century.

In view of the large potential oil producing capacity that has still to be absorbed it seems unlikely that there will be any major movement in crude prices over the next couple of years. OPEC may achieve a modest price rise in the next 12 months by trimming its production levels. But its bargaining power will remain weakened so long as the economic recession continues. After all, world oil demand has not yet recovered to 1973 levels.

Paradoxically, the high-cost development of North Sea crude, which owes so much to the big increases in oil prices in 1973-74, is now a contributory factor to the softening in crude oil costs. The UK sector of the North Sea is now yielding about 1m barrels a day—half way to domestic self-sufficiency. In 18 months' to two years' time the output should be around 2m barrels a day. The North Sea and other non-OPEC areas like Alaska and Mexico are already adding around 3m b/d to world supplies.

British Gas Corporation is now getting virtually all the supplies it needs from the North Sea. Indeed, the development of the Anglo-Norwegian Frigg Field by a Franco/Norwegian consortium of companies is now providing the Corporation with an opportunity to extend its range of customers in the domestic and premium industrial and commercial markets. This competition is also putting pressure on the supplies, and price, of oil products.

Refused

Gas prices, which in the industrial and commercial sectors are likely to rise in line with oil prices, have been repeatedly challenged as being too low by the electricity and coal industries. So far Mr Anthony Wedgwood Benn, Energy Secretary, has refused to impose a requested "gas tax" although he has conceded that fuel pricing policies are among the most difficult problems that have been tackled by his advisory Energy Commission.

Sir Francis Tombs, chairman of the Electricity Council, pointed out to the Energy Commission earlier this month that the electricity industry was also facing increasing competition from British Gas marketers. However, there were good reasons for believing that in the longer term price movements would be favourable to electricity.

The National Coal Board, in another submission to the Commission, emphasised that the major market for coal continued to be power stations. Notwithstanding the increasing nuclear contribution to electricity generation the Coal Board's plans for the next five years provided for sales to power stations to increase from some 77m tonnes in the past financial year to over 80m tonnes. It was recognised, however, that the maintenance of such a market would be heavily influenced by coal's competitive position relative to oil. (The NCB is assuming that oil prices will broadly be maintained in real terms over the next five years.)

Cambridge Information and Research Services, in its latest Energy for Industry and Commerce report, states that industrial consumers can expect renewed efforts from Coal Board salesmen in their attempts to win back business previously lost to oil as the time arises for plant replacement.

Coal had lost about 80 per cent of its industrial market in the past 25 years and today the industrial sector accounts for only 9m tonnes a year of sales. "It remains to be seen whether new techniques such as fluidised bed combustion and improvements in mechanical handling pioneered by the Coal Board can assist in winning back this lost ground," the report adds.

There can be little doubt that in the long run the coal industry will have an even more important role to play in meeting energy demand. Increased nuclear-based electricity production and the development of alternative or renewable forms of energy will also be required once UK oil production begins to decline in the 1990s, or at least around the turn of the century. But just as important as these development programmes will be the need for energy conservation.

Efficiency

Sir Derek Ezra, chairman of the National Coal Board, spelled out the importance of energy saving last December: "Failure to take vigorous steps to ensure improved efficiency of energy use in the years ahead, enabling the UK to achieve economic growth with a lower growth in energy consumption, might result in the longer term in the nation being forced to accept a reduction in the rate of economic growth." British industry might also be left less competitive against overseas manufacturers which had already taken conservation measures.

The Energy Commission, in its discussions, have reckoned on UK energy consumption by the end of the century being some 20 per cent below what it otherwise might have been without conservation effort. The lack of such a programme could add the equivalent of some 50m tonnes of coal to Britain's energy needs in the year 2000. Put another way, if that saving could be achieved overnight British industrial and commercial users of energy could wipe over £1.2bn off their annual fuel bills.

Last year industry and commerce spent £5.8bn on energy as against £5.02bn in 1976. The iron and steel industries accounted for about £1bn worth of the 1977 total. It is estimated that there could be a 10 per cent rise in the amount spent by industry and commerce this year.

But that bill could have been significantly higher but for the conservation measures taken so far. It is indicative of the way that major fuel users are now beginning to view the efficient use of energy and are seeking ways of cutting out waste that between 2,000 and 3,000 energy managers have been appointed (or at least designated) by UK companies. No less than 40 energy managers' groups have been set up around the country.

Any attempt to quantify their overall success to date is frustrated by numerous factors. No-one is quite sure how much the economic recession and normal plant modernisation and replacement programmes have contributed, in an incidental manner, to past energy savings. But a reasonable guess would put the conservation achievement since 1973 at over 5 per cent.

A preliminary analysis of information gathered through the Department of Industry's Industrial Energy Thrift Scheme suggested that annual energy savings which were open to industry through the application of short-term measures involving existing technology were the equivalent to some 5.5m. tonnes of oil a year corresponding to an annual cost saving of £370m. The capital investment required for such a saving, according to the Department, would be about £560m. giving an average pay-back period of 1½ years.

The survey was based on information gained from 700 of the 2,200 visited under the Thrift Scheme in 1976-77. The 700 indicated that they had undertaken projects that would result in £3.5m. worth of annual savings.

The scheme which, among other aims, attempts to promote the more efficient use of energy in manufacturing industry, is one of a number of projects set up by the Government, the fuel industries and private organisations in an attempt to stimulate conservation.

The Government is now co-ordinating its own efforts through an inter-departmental committee responsible to a ministerial committee under Mr. John Cunningham, Parliamentary Under Secretary for Energy. The Energy Department, which operates its own Energy Audits scheme, still acts as the lead department in the Government's conservation drive.

And there are signs that this state initiative is taking on a new form. Up until the end of last year it seemed that Government was content to guide and advise fuel users but leave them to take their own investment decisions. In essence, the Government was saying that economic benefits of conservation measures provided sufficient incentive for capital projects.

Then on December 12, Mr. Wedgwood Benn launched a £320m. programme which, he said, could lead to savings worth about £700m.-a-year within a decade. That Government investment was concentrated in the public sector.

In March, Chancellor Denis Healey announced in his Budget speech that the Government was extending its aid to conservation measures in the private sector. The following day the Prime Minister unveiled a £240m. package of support for home insulation projects.

Since then the Departments of Industry and Energy have been working on ways of pushing along energy "save-it" projects in industry and commerce.

The results of part of this work were revealed yesterday with the announcement that the Government is making available up to £25m over the next two years to encourage more efficient use of energy in industry and commerce.

The scheme is available to companies throughout the UK wishing to improve their heating plant or the insulation of their premises. Grants of up to 25 per cent will be available for work aimed at replacing or moderinising boiler plant, and insulating systems and at installing or improving combined heat an dpower systems.

These aid schemes may be recognition that in the current economic climate energy users may not be in a position to carry out all of the conservation measures that are desirable. It might also suggest that energy saving is still not receiving the degree of attention it deserves.

Oil versus gas

THE COAL and electricity industries are continuing to press for the imposition of some form of gas tax to bring the prices of gas supplies more in line with those of other energy resources. Sir Francis Tombs, chairman of the Electricity Council, again made the point at a meeting, earlier this month, of the Energy Commission—a body set up to advise the Government on energy policies.

The Government, he claimed in a paper submitted to the Commission, had favoured the gas industry; British Gas had exclusive access to North Sea gas and this enabled the Corporation to buy their gas supplies at an annual cost some £1bn. less than if they paid prices related to the cost of coal and oil.

The arguments — strongly refuted by British Gas and not altogether accepted by Mr. Anthony Wedgwood Benn, Energy Secretary — may be coming from the coal and electricity industries, but there is another major energy industry which would undoubtedly benefit if a gas tax was to be imposed: the oil sector.

Glamour

The glamour of North Sea exploration and production has tended to disguise the problems oil companies are now facing with their downstream activities. The North Sea has given British oil suppliers and consumers welcome security; output from the UK sector is now running at about 1m barrels a day—roughly half domestic consumption levels. By 1980 the North Sea production will make Britain one of the few industrial nations totally self-sufficient in oil (and, for that matter, energy in general) although oil refiners will continue to import a proportion of its needs in order to arrive at the correct blend of crudes for product requirements.

On the other hand production from such sources as the North Sea, Alaska and Mexico is adding appreciably to the traditional supplies of the Organisation of Petroleum Exporting Countries at a time of sluggish economic growth worldwide. Consequently the oil industry is embarrassed by a serious over-supply problem. The lack of growth in its main markets over recent years has left companies with a good deal of refinery over-capacity, particularly in Western Europe, for instance. In the event companies have taken steps to reduce over 80m tonnes a year of refining capacity in the European Economic Community over the past 12 months or so, and still there is about 35 per cent too much primary distillation capacity.

Against this background OPEC, the arbiter of world crude oil prices, is becoming increasingly restless about the combined effect of the world recession and oil glut on its own earning power. It is a measure of OPEC's predicament that it seems to be cutting its output to around 26m barrels a day although it could produce 10m b/d more than that figure.

Oil prices must rise. The questions facing the oil industry, whole nations and fuel buyers alike are when, and by how much? There have been many warnings in recent months that we are living in something of a fool's paradise: that by the early or mid-1980s industrial nations could again be relying on OPEC to substantially increase output. The ball would be back in the exporters' court. Many fear that they could use this regained strength to impose very large increases in a bid to make up for past lost earnings. The Department of Energy expects oil prices to at least double in real terms over the next 20 years.

How soon, and how fiercely the price rises will be applied will again largely depend on the state of economies, the pace with which non-OPEC oil sources are exploited and the degree of energy conservation measures applied by Governments and major consumers.

The Department of Energy's monthly Energy Trends report gives some indication of the problems facing the oil industry in the UK. The average price of heavy fuel oil sold under new or renewed medium sized industrial contracts in the fourth quarter of last year stood at £56.40 a ton, lower than in the previous two quarters and barely 2 per cent. higher than in the last three months of 1976. Viewed on the same basis gas oil prices at the end of last year stood at about £85.50 a ton, again down on the previous two quarters and just £3.40 a ton more than in the fourth quarter of 1976.

Taking the average price of various fuels delivered to large industrial customers, the cost of heavy fuel oil is seen to have risen by 43 per cent in the three years from the beginning of 1975 to the end of 1977. In the same period, gas oil prices rose by 49 per cent. But these increases fell far short of the rising trend in the other fuel sectors: electricity prices rose 55 per cent, coal prices rose 71 per cent and gas prices by a massive 177 per cent— a leap which indicates that even without a gas tax the Gas Corporation has been taking its own price adjustment measures.

Guide

The figures are merely a guide; prices vary widely around the averages and the statistics can be quite dramatically influenced by the renegotiation of a major contract. Even so, they do show that oil product prices have been lagging, and the trend has continued this year. In some cases prices have been falling. (Petrol is now said to be as cheap in real terms as it was in 1973).

Mr. John Greenborough, managing director and deputy chairman of Shell U.K. — one of the major suppliers of oil products in Britain — recently reported that fierce competition by companies seeking to maintain market shares resulted in a serious erosion of proceeds. The U.K. group's annual report for 1977, when it made a loss of £11.3m. on its operations, states that this competition "held product selling prices down below costs."

There is plenty of evidence to suggest that it is not only competition between oil companies that is holding down prices. The strong marketing drive by British Gas in the industrial and commercial sectors is also having a major impact.

The reason is simple. The Corporation will have much more North Sea gas to sell in the future. Indeed, its supplies could increase by 50 per cent in the next few years. The Anglo/Norwegian Frigg Field, which was recently commissioned, should add some 1.5bn cubic feet a day to supplies which are now running at about 4bn cubic feet a day. Shell/Esso's Brent Field should begin producing marketable natural gas in 1980 or 1981 when it will add at least a further 500m cubic feet to UK resources.

Then there is the prospect of new supplies being received from other fields in the central and northerly sectors of the North Sea. Gas produced in association with oil in the Piper and Tartan fields will eventually be sent ashore via the Frigg gas line while fields to the north-east of the Shetland Islands may well be linked to the Brent gas trunk line.

A number of studies have been commissioned by the Government in a bid to find ways of collecting relatively small pockets of gas from other fields. At one stage it seemed that a major £5bn gas gathering pipeline network might be built but recent studies have suggested there is currently insufficient reserves to justify such an investment. (The position might change if oil companies make some important new discoveries or if Norwegian producers agree to share the UK facilities).

So alternative methods of gas collection are being evaluated. They include possible offshore liquefaction of gas; conversion offshore of gas into chemicals; and the use of gas to generate electricity which could then be sent ashore through subsea cables.

The problem facing the oil industry, Government and British Gas is to find a solution which does not lead to a glut of supplies in a relatively short period. If this happens the Corporation could be forced into selling gas too cheaply, to energy users who do not really need to burn a premium fuel. That is the Dutch Disease the gas industry talks about.

The Gas Corporation is in an awkward spot. For on the one hand it must provide its customers with an assurance that North Sea gas will last well into the next century but, at the same time, it must be careful in conveying the message that there is not enough to squander. "We have a large, but limited amount of gas to sell," is how Dr. Eric Clatworthy, director for industrial and commercial gas, describes the position.

The Corporation states that in spite of the economic conditions that have clearly made the search for new customers more difficult than it might have been, marketing achievements are on target. But there is still a good way to go. In the past six years the state undertaking has sold between 800m to 1bn therms to the new premium market: it hopes to sell further supplies approaching those figures by 1982.

Undoubtedly this will provide the oil sector in particular with a good deal more competition although a major—but confidential—new study has encouraged British Gas in that it shows the potential premium market to be much greater than planned expansion.

The premium market is seen to encompass industrial and commercial customers who need a high grade fuel which can be easily controlled with a minimum of pollution. British gas maintains that virtually all of its firm contracts are being confined to this market at a price akin to the going rate for gas oil. As a result, premium customers fixing new gas supply contracts are paying some 16.5p to 18.5p a therm—a far cry from the average of 10.10p a therm being paid by large industrial consumers at the end of last year, according to Energy Trends.

That lower figure illustrates the fact that many long-term contracts had still to be renegotiated at current fuel market related prices. Those who have renegotiated in recent months have faced large rises, typically 20 to 40 per cent although there have been cases where gas supply prices have risen by over 100 per cent.

Indeed the increases have prompted a number of companies, which had been receiving interruptible supplies from British Gas, to switch from gas supplies back to oil. Normally interruptible prices are geared to the cost of heavy fuel oil.

If the Gas Corporation is unable to meet its target rate of growth in the premium sector it could, conceivably, step up sales to the interruptible market which currently accounts for about 20 per cent of the undertaking's total sales. But British Gas is fixing another safety valve that it can turn first. The Corporation is renegotiating its own contracts for gas supplies from many of the southern North Sea fields which, among other benefits, will enable it to shut down production during the summer months when demand is weak. In essence British Gas is aiming to increase its flexibility in the southern sector of the North Sea. In return the undertaking has agreed to increase the price it is willing to pay for gas from these fields.

So the pattern has been set. Over the coming years British Gas will be paying much higher prices for its North Sea supplies with output from the more northerly fields appreciably more expensive than southern gas. Industrial and commercial buyers of gas will find the fuel becoming increasingly dear as well, although just how expensive will largely depend on oil prices.

For British Gas is now linking the price of its industrial gas contracts to the scheduled gas oil price quoted by the three UK majors, Shell, Esso and British Petroleum. Oil price rises will trigger escalation adjustments in the gas contracts.

Whether the Government needs to apply a further gas price regulator, in the form of a gas tax, must be questionable.

Ray Dafter

Coal needs to be taken seriously

IT IS a measure of the dramatically increased importance of coal that it should now be taken seriously as a major energy source for industry. The trouble is—so the National Coal Board would argue — it is not yet being taken seriously enough.

First, the good news. The oil price rises of 1973-74 found a coal industry in this country which was being slowly run down — though it remained the major coal producer in Europe. Investment had been at low levels, insufficient to bring new projects on stream to sustain constant levels of production.

The "Plan for Coal," agreed between government, unions and NCB in 1974, changed all that. Greatly increased investment was approved, and the industry began to develop multi-million pound projects like the Selby colliery and the Belvoir collieries, both to cost around £500m. Coal was on the road for new markets.

Its old markets, however, remained the most important. Coal is still the major fuel for the electricity supply industry, which takes around 60 per cent —70-75m tonnes—of its annual output of around 120m tonnes. As the NCB likes to remind us, we all burn coal—in the form of electricity, or "coal by wire."

The second largest customer of the NCB is also industrial—the steel industry, which burns coal in the form of coke. The steel industry presently accounts for around 14m tonnes of the NCB's output.

General industry and the domestic coal burning market are of roughly similar importance to the NCB, both burning around 10m tonnes a year. However, the industrial market is the one where the Board believes growth can be found.

The major problem—at least in the short and medium terms —is that none of these markets presently looks buoyant. Steel is obviously in the doldrums, and the 14m tonnes now being taken is a decrease of over 3m tonnes from two years ago—and no one can say with confidence that the decline will not continue. The electricity supply industry's take for England and Wales has gone up in the present year to 75m tonnes, from last year's figure of around 70m tonnes—but that is unlikely to last. Central Electricity Generating Board officials say that much of this year's take will have to be stockpiled, meaning a reduced demand next year, probably back down again to 70m tonnes.

Sluggish

It seems that the general industrial market stays sluggish for two main reasons—a continuing supply of oil at a price not much above—if at all—that of coal, and the capital costs involved in switching from oil- or gas-fired equipment to coal.

These problems are difficult, if not insuperable. While gas and oil look attractive, why go to coal, which is usually more troublesome to handle, dirtier and offers little or no price advantage. The only real argument which the NCB has—and it is not an inconsiderable one—is that by switching to coal fired equipment now, the industrialist is safeguarding his future.

The argument runs like this. Oil may remain relatively stable in price for some years yet, but by the mid-1980s, it will begin to get dearer as production is cut back to prolong supplies. By the end of the century, supplies themselves will begin to run out (assuming there are no more very large discoveries of oil; they would have to be very large indeed, bigger than the North Sea fields, to make much difference).

Gas is, of course, even cheaper than oil. But it has possibly an even shorter life span (though in its case, there is a greater likelihood of substantial new discoveries in the North Sea, which might change the picture), and the NCB argues that North Sea gas will virtually be exhausted before the end of the century.

So the sales pitch is based on the long term, and on the possibility—always a fairly strong one—of disruption in oil supplies. So far, it has not appealed to a significant number of industrialists, and their take of coal has continued to decline. In short, it seems that the NCB is being presented with an embarrassment of riches, as the miners, inspired by the productivity bonus scheme, produce more coal for shrinking or static (or, in the case of domestic coal, marginally rising) markets.

Much of this is now more or less publicly discussed by the NCB, and is accepted with a rueful shrug. A senior NCB marketing man was told at a recent conference on coal that he would need all the sense of humour he evidently possessed, and he did not demur. What keeps the faith of the NCB alive that coal will fully come into its own is the prospects which are predicted for it at the end of the century: if they take the shape they might, then there will indeed be a revolution.

Towards the end of last month, the Government announced that it would fund most of a £43m programme to achieve the substitution of coal-derived fuel for natural gas and oil by the end of the century. The major research programmes are concerned with liquid solvent extraction — producing oil from coal: fixed-bed composite gasification, or gas from coal: and supercritical gas-solvent extraction, or chemical feedstock from coal.

Optimistic

Introducing this package of measures—which also included research into fluidised bed combustion, which means making steam much more efficiently—Mr. Alex Eadie, a junior Energy Minister, said that "King Coal was back in its rightful place again." Mr. Eadie, an ex-miner, took an obvious delight in the fact that coal would—if the research proved successful—be the prime source of energy for th UK in the 21st century, as it had been in the 19th.

On his—and the NCB's—optimistic assumptions, the NCB will have to produce at least the 170m tonnes a year which is its target for the year 2000, and then some. It has been calculated that the oil-from-coal market could take around 80m tonnes by itself, possibly more. So the industry must expand now—since lead times for major new collieries are lengthening continually—in order to be prepared for the rush.

This does not mean—as you may have guessed—that energy will be cheaper in the future. It will invitably be more costly; indeed, oil from coal and gasification, to say nothing of the even more esoteric schemes, only becomes feasible when costs for our present commodities like oil and gas go up to at least double their present levels. Coal is expensive to get, and it will be more so either as miners demand more pay for one of societies' hardest jobs, or very costly remote control equipment replaces miners underground.

However, it does mean that when the oil and gas run out, as they are bound to do sooner or later, there is a substitute fuel proven with reserves of at least 300 years. Beyond that point, speculation becomes not only heroic, but silly.

John Lloyd

Healthy exports of standby equipment

ONE OF the more fortunate after effects of the miners' strikes and the three-day week was the welcome boost which it gave to the UK companies making standby generating equipment.

Many companies began to think that power cuts would become an annual feature of the British industrial climate, and so took steps to buy secondary generating sets. The market thus broadened quickly from those organisations like hospitals and offices with major computer centres to many companies which previously had regarded standby power as a convenience rather than a necessity.

The substantial home market thus created enabled the British manufacturers in the field to mount and sustain a very high level of export sales. The UK has remained probably the major supplier of standby generators in Europe with total sales of around 60,000 generator units a year.

Many of these generators are exported, particularly to Germany where they are made into full sets with foreign power units attached. However, the total number of sets made up in the UK complete with power units is about 30,000 units of which about 90 per cent are exported.

The three major UK manufacturers of generators split the home market about equally. Newage Engineers of Peterborough claims to have slightly the largest share followed by Markon and Hawker Siddeley. Total production of generator units in the UK is of the order of £60m a year.

Diesel engines to drive the generators are supplied by a variety of sources including the General Electric Company which supplies units for the higher rated sets and Lister and Petter which supplied smaller units. Adapted engines from Ford, Leyland and Cummins are also widely used.

Last year, demand for UK made generators outstripped supply and Newage particularly suffered a long backlog because of a previous labour dispute. Although delivery schedules have been shortened, the forward orders for the industry still look healthy. UK manufacturers have been helped by low labour costs compared with those of competitors in say, Germany, and have been able to keep a healthy volume of business at a time when orders worldwide have been slackening.

Remote

In Germany the main generator manufacturers Siemens and AEG, have been having a relatively tougher time, particularly in markets like the Middle East and Africa where the British companies have an established position. About 40 per cent. of sets now made are supplied as main sources of power, for example in remote locations like oil wells. The remaining 60 per cent of sets are used only as standby power in the event of a failure of the mains supply.

Most of the larger manufacturers have for some time concentrated on making standard units which have to be flexible enough to adapt to more than 90 per cent. of all likely applications.

However, some specialist systems are made for example to supply power to computer installations where a break of even a hundredth of a second cannot be tolerated. As it happens that the majority of interruptions to the mains supply do last only for a split second, such a unit needs to be fast reacting and highly reliable. One such system supplied by Anton Piller, the German firm, uses an alternating current motor coupled to a direct current generator which supplies a battery. As soon as a power failure occurs, the two units change roles and the battery powers the direct current generator turned motor which drives the alternating current motor turned generator to supply current to the computer.

Most standby units currently sold are operated by diesel engines, but in the range of 1,000 kW and above, especially where the set is used as a main power source turbines are increasingly being used.

The strong emphasis on standard products in the lower range from 1kW to 1,000kW means that cutomers need to make a very careful appraisal of their needs before making a purchase, for failure to make the right decision can prove costly and result in a completely unsuitable installation.

If, for example, the unit is underpowered it may fail to cater for the installations' demands, or alternatively it may absorb excessive capital by being more highly rated than is necessary.

It is important for a purchaser to strike a nice balance between the average demand expected to be made upon the set and the peak loading. Clearly it should have enough power to cope with the peak. But on the other hand it should not generally be run at less than about 65 per cent of maximum load. This is because a diesel engine tends to become

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Power station policy

THE EVENT that has caught the public's attention in the nuclear world recently has been the Windscale inquiry into a proposed nuclear fuel reprocessing plant and the subsequent House of Commons vote to sanction the £600m scheme. That is a decision which will start having an impact upon power supplies in the 1980s, and thereafter as stocks of processable spent fuel build up from British and foreign power stations.

The Windscale decision clears the way for future British nuclear power planning. Of much more immediate importance has been the recent Cabinet decision to launch a new power station building programme.

The contentious Drax B coal-fired power station has been given the go-ahead. That decision has been followed by a new policy towards the ordering of nuclear power stations. The South of Scotland Electricity Board is to have its next advanced gas cooled reactor (AGR) station at Thorness while the CEGB will shortly be clearing planning permission for another English AGR. The Government has sanctioned both stations at a total cost of about £1.2bn. Meanwhile design, development, and safety studies are going ahead on the U.S. pressurised water reactor design so that it can again be considered as a possibility in competition with the AGR design before 1982.

The probability is that from now on roughly one power station order a year will be placed. And in each case it will either be coal-fired—assuming the NCB and the miners' lobby keep up their pressure for more coal outlets — or nuclear. There is little prospect of further investment in oil-fired generating capacity—with the single exception of a projected station on the Tamar far and away from coal supplies.

Clearly, nuclear electricity will be the cheapest form of generation in the future programme. Even the most efficient coal-fired stations of 2,000 megawatts capacity, will only be able to achieve a middle ranking in the heirarchy of British power station efficiency from now on.

Problems

The AGRs got themselves a bad name because of the problems over their detailed designs and the long delays experienced in their building programme. But now that the first two AGRs Hinckley Point B and Hunterston B—are functioning some impressive efficiency figures are being obtained for power generation. They are producing some of the cheapest electricity in Britain. Worries about corrosion problems involving chromium alloy steel inside the reactors compelled the operators to limit the output of the stations from start-up onwards. But the latest news from the CEGB is that those problems are likely to be much less serious than at first feared, which means that the efficiency of the two AGRs can be further improved by raising the operating temperatures nearer to original design levels.

There is now more enthusiasm for the role of the AGRs than there has been on the British power scene for many a long year. When the three remaining AGRs now being built come into use in 1980-81 they will play a significant role by sharply reducing the total electricity generation costs.

Of the three, Dungeness B is now ten years late—but the engineers say they can see "light at the end of the tunnel"—and the stations at Heysham and Hartlepool are each six years late. The total of some 4,000 megawatts of cheap power that will be their eventual contribution is sorely needed now as a contribution to cheaper electricity costs. The CEGB estimated recently that while the stations are still under construction beyond their planned completion dates the actual cost to the nation in terms of dearer electricity amounts to £350m. a year.

In short, the late completion of the three remaining AGRs is going to cost consumers at least a further £1bn in dearer electricity charges before they are ready.

Energy marketing is an essential part of the national energy conservation campaign. In the past year the area electricity boards saw sales of electricity increase by 1.2 per cent in a year when there was at times up to 30 per cent excess generating capacity. The aim of the boards is to harmonise the usage of electricity with available generating capacity. A "wise use" campaign has been running with some success.

The annual Electricity Council report commented: "All our marketing activities have been influenced by the need to advise and help people to conserve energy and to make wise use of electricity — at home, in shops and factories, and on the farms. The need will persist beyond our generation. . . ."

Advertising

The electricity authorities are emphasising how people can maintain and improve living standards while also conserving energy. Advertising by the Electricity Council has been stressing the importance of good insulation and the advantages, in particular, of lagging hot water tanks. Another idea plugged in the energy saving campaign has been the instantaneous hot shower which is said to use less energy than the conventional bath.

The electricity authorities are co-operating with government departments, with the NEDO industrial sector committees, and with the universities to achieve greater energy savings in industry. Special technical work has been done for the foundries, for the steel industry, and for industrial processes involving the use of electricity for curing and drying.

The energy forecasts which are now the subject of constant study by the newly-formed Energy Commission split the future of energy and relevant conservation measures into three parts: short-term up to three years ahead; medium term up to 15 years ahead; and long-term into the next century.

Certain factors are becoming obvious. The short-term energy planning now being developed in Britain is being heavily influenced by the needs of the coal industry for a market for its production. The medium term market is a balancing act between the competing forms of energy—coal, oil, natural gas, some renewable energy sources such as wave and water power, and nuclear power. In the long term—beyond the year 2000—the energy market will be dominated by nuclear power. Current Whitehall projects show a dominance of nuclear in absolute terms well before 2010 in spite of the conversion of coal by then into synthetic natural gas at a series of new plants.

Roy Hodson

Standby

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encrusted with carbon if it is run at too low a load.

Sometimes a compromise has to be reached and the customer has basically two choices. The first is to instal a unit designed to cope with the average load and arrange for the supply to some non-essential loads to be cut out automatically as total demand approaches the maximum rating of the set. This can be satisfactory in some applications but may cause inconvenience, particularly if the set is used for standby power.

An alternative approach is to buy a bigger unit well able to cope with maximum demand but to arrange for a dummy load to be connected automatically if the unit starts to run lightly loaded. Clearly this second alternative is more expensive to instal and to run.

It is really a question of the user making a policy decision about which services must always be maintained and balancing the extra cost of maintaining non-essential services against the risk and possible inconvenience of their being cut.

Increasingly buyers and manufacturers are having to consider the effects on workers of noise from standby or auxiliary power units. It is now accepted that a noise level of about 90 decibels is the maximum acceptable in an ordinary factory. However, a generating set can easily produce noise levels of well over 100 decibels if it is not soundproofed. A variety of methods have been used to bring noise levels down to perhaps 70 decibels or the equivalent of an inexpensive car at about 30 miles per hour. Special suspension, a noise reducing cabinet and noise reduction systems on the cooling fan can be combined, but the cost can be fairly high—an extra £800 or more.

But in some cases it may even be cheaper to fit noise reduction systems to the set in the first place than face the possible extra expense of rebuilding to isolate the unit at a later date.

Improvements to such peripheral aspects of secondary power units seem likely to be the main emphasis over the next few years. Electronic control and the use of thyristors have probably yielded their main benefits on direct performance for the time being, although marginal improvements to ratings will no doubt continue to be made. Otherwise the emphasis will no doubt continue to be on ruggedness and reliability and easy access to servicing — all factors which fortunately favour the established UK suppliers.

Max Wilkinson

The need for insulation

AN IMPORTANT stage in the Government's campaign to encourage greater use of insulation material in the U.K. is reaching a climax, as the Homes Insulation Bill is rushed through Parliament.

The bill is an integral part of the battery of measures taken by the Government in the last two years, which aim to cut substantially Britain's annual fuel bill of £16bn.

But industry, which has also been coaxed into readiness to meet the higher demand expected for insulation material, is not happy with the profits trend in the industry so far.

Under the Homes Insulation Bill, which should become law shortly, grants will be available from local authorities for loft insulation and for lagging hot and cold water tanks and pipes. The grants will be worth 66 per cent of the total cost of the job, up to a £50 limit.

The Government is prepared to spend £15m on the grants in 1978-79 and £25m in 1979-80. The whole programme could take up to ten years to complete, assuming about 500,000 houses a year are fitted with insulation.

The Homes Insulation Bill, which deals with private homes, will become law about nine months after the Government announced a major insulation programme for the public sector. Mr. Anthony Wedgwood Benn, Secretary for Energy, said in December that the Government was launching a ten-year programme to bring public sector dwellings up to a basic minimum standard of thermal insulation. Over 2m houses would be treated, and the cost of the operation for the first four years would be just under £30m annually. Another £2m would be spent on improving the insulation of Ministry of Defence buildings. Hospitals other National Health buildings would qualify for capital investment of £35m. by 1982, while schools would come in for £70m by the same date.

On June 1, the Department of Environment announced thermal insulation standards for new non-domestic buildings. These standards will come into operation on June 1, 1979. And insulation in industry should be covered by a new Department of Industry scheme to be announced shortly.

Benefits

The Government has also quantified the estimated benefits of its insulation programme. Insulating 500,000 private houses a year could save 1m tons of oil a year, which after ten years would be worth £70m. Mr. Benn's energy programme, which dealt in large part with insulating State-owned buildings, could save some £700m a year at current prices. Possibly the most comprehensive estimate is contained in a report, published in February this year, by the Buildings Working Group of the Advisory Council on Energy Conservation. This stated that by spending £1.8bn on insulating existing homes, fuel could be saved equal to about 15 per cent of current domestic energy consumption.

The report also pointed out how swiftly any capital investment in insulation was repaid. Basic insulation of hot water cylinders could halve fuel consumption needs in a home, with a payback period of less than six months.

Department of Energy officials agree with these estimates. They say that a householder who fits a jacket to his tank, puts a draught excluder in his house, and fits insulation in his loft, can count on reducing his annual fuel bill eventually by about £100. And the cost of conversion may be under £50.

As well as drafting a mass of insulation measures, and quantifying the future benefits, the Government has also discreetly manoeuvred industry into a state of preparedness for the expected increase in demand.

Fibreglass, which belongs to Pilkington Brothers, Cape Insulation, part of Cape Industries, and Newalls Insulation, a subsidiary of Turner and Newall, are the three market leaders in the UK in the insulation business; all three have changed the structure of their business quite noticeably recently.

Fibreglass, which dominates the domestic insulation market, has spent roughly £20m in under two years on a new plant at Pontyfelin in South Wales, to double its productive capacity.

Equipment

Cape has also spent heavily on new equipment, but has also made a number of significant acquisitions. It bought the contracting side of Newalls Insulation from Turner and Newall in 1975, and this doubled the size of its insulation contracting side. More rationalisation and acquisitions followed, which led to Cape setting up a new Insulation Services subsidiary. Formed out of a merger between ICI Insulation Service and Pattison Insulations, the new operation is the largest company in the country to offer a comprehensive service for insulating domestic buildings.

Newalls Insulation has concentrated on developing new products specially tailored for the anticipated expansion in the market. But it is also budgeting to spend about £8m on increasing productive capacity for insulation.

One of the problems faced by the Government is that demand for insulation material has not risen smoothly to meet the increases in productive capacity available throughout industry.

Mr. Ronald Dent, chairman of Cape Industries, gives the flavour of the feeling among industrialists in his 1977 annual report. "Thermal insulation is a market of which the division has a substantial share. So far demand has failed to grow at a rate expected by many following the increased cost of energy, but higher standards are steadily being introduced."

In the short term the problem has become even more acute. In an effort to stimulate demand from the public, and meet industry's requirements, the Home Insulations Bill was introduced, a measure which, on the face of it, represents a sharp change from the Government's position some nine months ago. Then it thought that cost-saving benefits from home insulation were so self evident that no financial incentives would be needed.

The new interventionist measures, however, have killed demand for insulation material temporarily stone-dead. The market is seasonal, with demand reaching a peak in the late summer and early autumn. But until the Government measures are through the Commons, and the grants are available from local authorities, it seems that very little insulation material will be bought.

Industry is convinced that the next few years will see a buoyant market for insulation material developing in the UK. But until then it will continue to reflect on the sluggish profits trend since the mid-1970s.

Christopher Dunn

Potential for heat pumps

A GOVERNMENT study of heat pumps released a few months ago came to the rather surprising conclusion that no heat pump suitable for the biggest potential British market was available in the UK, nor could be expected without the expenditure of considerable research, development and life-testing resources. The surprise stems from the facts that the heat pump is a British invention, over 150 years old, of a kind which would appear to be ideally suited to the engineering skills of the country. Why has manufacturing industry neglected a machine with clear theoretical potential for conserving fuel?

The dominant reason is that it is much simpler to do what a heat pump can do merely by burning fuel. A heat pump is an ingenious but nevertheless rather complex way of beating the second law of thermodynamics, to drive heat "uphill" from a cooler to a hotter source. It works rather like a refrigerator—and indeed its biggest market so far has proved to be space cooling in countries (such as the U.S.) which suffer from long hot summers. But the problems of translating the principles first enunciated by Lord Kelvin into robust machines at acceptable prices are more analogous to those of introducing new kinds of battery.

Heat pumps have been tried, with varying degrees of success, in such situations as the Festival Hall in London and the sewage system at Oxford. But the biggest potential market for heat pumps would appear to be as an alternative to conventional central heating boilers in the home. This was the conclusion reached by a workshop of Government, industry and academic experts, organised by the Energy Technology Support Unit (ETSU) at Harwell*. The workshop arrived at an outline specification for two types of heat pump—neither of which exists at present—for the domestic sector when fuel costs have reached a level that would offset the costs of an intrinsically more sophisticated technology.

In the sector of industrial process heating and cooling, three groups of applications for heat pumps were examined by the Harwell workshop. These were:

1. Cases where refrigeration is the main requirement but space heating could be provided from the condenser coils with minimum extra cost;

2. Processes involving phase changes — drying, evaporation or boiling;

3. Processes involving successive heating and cooling.

1—**Refrigeration.** The main advantage here is that under certain conditions the same heat pumps can also provide space heating for little extra capital cost. A very short period of amortisation can sometimes be demonstrated. The workshop cites the Link 51 heat pump system installed in a Telford factory, where evaporator coils are keeping the dies in plastic injection moulding machines at a fixed temperature below the factory temperature. Heat from the dies is then rejected either through two outside condenser coils, or 14 inside condenser coils for space heating. But the principal criterion is to maintain a low die temperature regardless of the fluctuations in demand on the machines.

2—**Drying, etc.** Although a considerable amount of energy is used in these processes, most of the heat used to produce the phase change required is not recovered at present. From the standpoint of the heat pump, however, the processes differ considerably.

At the Capenhurst laboratories of the Electricity Council, a conventional reverse Rankine cycle system has been evaluated for drying at relatively low air temperatures, up to 110 degrees C. The mixture of air and fluorocarbon vapour working fluid for the heat pump is heated by condenser coil before it enters the drier. On leaving, it passes over the evaporator coil to condense out collected moisture. The system can be arranged with a closed air/vapour loop to prevent loss of heat. The arrangement was found to offer good control of humidity, though drying time might be longer—20-30 per cent longer in the case of a timber drying operation investigated.

Efficiency

The laboratories set out to develop a heat pump of higher efficiency with a condenser temperature of 90 deg. C, evaporation temperatures of 40-50 deg. C, and low noise levels so that it could be run round-the-clock in residential areas.

There are more complex heat pump cycles, in which the vapour "effluent" is recompressed to recover the latent heat of evaporation. In other words, this vapour itself serves as the working fluid. For example, the Hi-Trec (high-temperature recompression) cycle uses superheated steam; and the MVR (mechanical vapour recompression) cycle transfers heat directly by condensation.

With the novel Hi-Trec system, the effluent leaving the drier is split into two streams. One is compressed adiabatically so that its temperature and pressure increase, and at the higher pressure its latent heat of condensation can be transferred by a heat exchanger to the second stream. The second stream, heated and dried in this way, is returned to the drier—at temperatures up to several hundred degrees C. Provided it is tailored specifically for continuous processing, this system appears to be able to offer a high efficiency of heat recovery.

The MVR cycle has been used industrially since the early years of this century, but only recently have advances in heat-exchange technology provided the lower compressor pressure ratios which, when combined with rising fuel prices, make the cycle economically attractive. The idea is that mechanical compression of the effluent vapour by the heat pump will raise its condensation temperature.

The whole vapour flow is compressed in this way and then passed through the heat exchanger in the evaporation vessel. Only a relatively small pressure ratio across the compressor is needed, so high heat pump efficiencies can be attained.

The MVR principle has been used in fairly large units, and is also finding a large market in small-scale desalination units.

3—**Miscellaneous heating/cooling.** The workshop identified some industrial processes—such as the production of aluminium cans—in which successive heating and cooling operations might provide opportunities for the heat pump. Its conclusion was that each process must be examined individually and the opportunities for a standard product might well prove to be small.

The conclusions of the ETSU workshop were that, for the industrial sector, there should be:

1—More effort on heat pumps designed for output temperatures above 100 deg. C.

2—A market survey of the potential for the MVR cycle in evaporation and boiling, aimed at identifying barriers to penetrating this market.

3—More research on the Hi-Trec cycle and its application to drying processes.

The countries which appear to be putting the greatest effort into heat pump technology at present are the U.S. and West Germany. In the U.S., General Electric claims to have the world's biggest sale of heat pumps and has a major research effort at its Corporate Research and Development Centre in Schenectady. There the view is taken that the basic heat pump cycle has little potential for improvement, but more advanced cycles afford a great deal. An interesting political point is that GE is anxious to establish the heat pump as a solar energy device and not—as it is seen in the U.S. at present—as just another electricity consuming device. It believes that the solar-boosted heat pump is the most energy efficient cycle devised so far.

* UK workshop on heat pumps. ETSU R1. Available from the Department of Energy, Millbank, London SW1. No charge.

David Fishlock

Good housekeeping

DESPITE THE widespread publicity given to energy conservation in recent years it still comes as a surprise to many managers that approximately 10 per cent of fuel consumption and bills can be saved by application of relatively simple, "good housekeeping" techniques.

Such techniques include using the right tariff—many companies are paying more than they need to because they use the wrong tariff—training staff in energy conservation, and making more use of time-switches and thermostats to ensure energy is not being wasted when the office or factory is empty.

Establishing which good housekeeping techniques can be used can be achieved by carrying out an energy audit. In addition, it is important that there is a top-level commitment to energy saving within a company and a full-time energy manager should be appointed.

Checking tariff selection and use is a job which could be carried out by such an energy manager. Energy supplied by the gas and electricity Boards is charged to customers at various tariff rates, each tariff being designed to provide energy at a cost appropriate to its use and to ensure an economic return to the Boards.

Tariff selection is important at two points in the life of buildings. First when the building is designed or put into use and, second, during its normal use. Initially, the designer will probably select the tariff, but once the building has been in use for some time circumstances may alter and the tariff selected originally may prove to be uneconomical. If this is the case, the onus is on the customer to request a change and not the supplier to advise that a change may be beneficial. That is not to say that Boards never inform their customers of uneconomic tariff arrangements, but it is not one of their prime purposes.

In order to investigate a possible tariff change, it is necessary to collect data on energy consumption, plant size and loadings, and other relevant details such as building use, heating method and fuel, and occupancy patterns.

Tariffs

It is possible to use a computer to check energy tariffs. The Property Services Agency, for example, has a computer system in operation for checking electricity accounts for all the Government properties it maintains. The main reason for using a computer is that it can help to identify in detail only where tariff changes might be most advantageous rather than as a check on every individual property. And even when using a computer, the final decision on tariff changes requires the knowledge of qualified technical staff, experienced in assessing the many inter-related aspects of energy requirement and their effects on tariffs.

When a tariff change is made, the results should be closely monitored to ensure that decision was correct and that the accounts are accurate.

There are several factors which determine the amount of energy consumed in a company or organisation. These factors include design of buildings and service installations, standard of maintenance, and the way that users operate the installations.

Although it is difficult to change the main structure of an office or factory once it has been built, there are minor structural changes that can be carried out to save energy. A reduction in the total area of glass, for example, coupled with improved thermal insulation of the solid area, should reduce energy expenditure and add to the comfort of the occupants.

Most car owners would agree that regular maintenance reduces fuel consumption, improves performance and minimises breakdowns. The same is true of energy-consuming installations in buildings, such as heating, ventilation, air-conditioning, lighting and water supply systems. Regular servicing of all components—burners, control equipment, refrigeration plant, fans, pumps, cooling towers, etc.—should be arranged as part of a planned maintenance programme.

The quantity of energy consumed by an installation depends not only on design and maintenance by professional and technical staff, but also on the way that the user operates it.

Where it is necessary, for example, to operate parts of a building outside normal hours, the areas used should be closely related so that only one part of the building needs to be in operation. Quite often the provision of additional doors to create lobbies, draught sealing to frames of doors and windows, and the fitting of door closers can show significant reductions in uncontrolled ventilation and appreciable reductions in heating requirements.

Light switching arrangements and groupings should provide enough flexibility to allow lights near windows to be switched off when only internal areas require lights.

Strict control should also be maintained over the operation of lighting installations to ensure that energy is not wasted when rooms are empty or only partly occupied. For example, when buildings are being cleaned before or after the normal office hours, lights are frequently left on where cleaning is not being carried out. Monitoring of lights during cleaning activities will usually, therefore, result in saving of energy.

To help bring these, and other, good housekeeping techniques together, companies need to carry out an energy audit.

An energy audit is basically a collection of consumption and building statistics embodied into a system to show clearly how and where each form of energy is being used. According to the Department of Energy's booklet on energy audits, the aim of such an audit is to quantify energy distribution and where possible relate it to production or other activities. The booklet suggests that companies examine the areas of high energy consumption, discuss with those concerned possible courses of action and choose the best after examining the financial implications. "Get the production manager, engineer, and cost accountant to work together as a team," it says.

Audits

It gives the following examples of energy audits:

- Improving the standard of maintenance of thermal insulation, instrumentation, combustion equipment, etc.
- Checking automatic control equipment and if necessary adjusting the settings.
- Carrying out plant efficiency trials.
- Altering processing schedules to see if greater output can be gained with the same amount of energy, or if the same output can be gained with less energy.

The Department's booklet also suggests that when preparing a campaign to save energy it should involve top management, trade union representatives, and employees, and keep them all informed of progress.

Moreover, it is essential that energy-saving measures are properly organised, fully agreed with the departments concerned in their implementation and are closely monitored and controlled by the manager responsible for energy saving. All staff involved in the running of buildings, and the engineering services involved with this, should be aware of energy policy and the need to minimise energy consumption consistent with safety and comfort levels. For example, it is vital that staff responsible for the day-to-day operation of boilers, ventilation plant and other mechanical services, as well as lighting and electrical installations, are properly trained in their operation.

There is a considerable amount of help available from the Department of Energy and professional energy consultants to help companies achieve reductions in energy consumption. But a considerable amount of energy can be saved by a commonsense approach to its use in office or factory.

David Churchill

Encouraging conservation

THE GOVERNMENT launched its energy conservation campaign at the beginning of 1975 and since then it has allocated roughly £380m to it. Yesterday further funds were announced.

The current feeling among government officials is that the campaign is proving reasonably successful though no one can ever say that the maximum possible energy savings have been made and the task is therefore complete. What can be said is that industry seems to have responded to the conservation campaign rather better than domestic consumers of energy. Perhaps predictably, it is those industries that use most energy which have worked hardest at cutting down their use of fuel and electricity. In some cases the savings made have been dramatic.

The Department of Energy reckons that most industrial companies can reduce their consumption by about 10 per cent simply through improved housekeeping. Under this heading come such things as turning off lights when they are not needed, reducing heating where possible, improving the maintenance of machinery, re-scheduling production runs so as to avoid unnecessarily short ones, checking industrial furnaces and burners for heat loss and stopping steam leaks—eliminating a single steam leak through a 3 mm hole can save up to £700 a year.

A number of methods are being used to encourage industry to make simple energy savings of this type. The Department of Energy has tried to persuade all companies to appoint an energy manager, responsible for all aspects of conservation. The idea is that he should either be a senior manager or at least have the support of top executives. So far about 3,000 companies have appointed energy managers.

The Department has set up an energy "Quick Advice" service, which is free of charge, and it also makes grants of up to £60 towards the cost of a one-day visit to an organisation by an energy consultant. In addition to this it provides advice and information on a more informal basis, often operating through regional officials of the Department of Industry. Seminars have been held for company managers and a considerable amount of literature on energy conservation is now available.

Once a company has looked to its housekeeping economies, the next stage is to examine ways of conserving energy by modifying plant or buying in new equipment. This obviously involves capital investment, but it can lead to energy savings of 15, 20, or even 30 per cent. Yet the Department is finding that one of the difficulties here is to persuade finance directors to agree to the capital spending required.

Target

Where finance is made available, the pay-off can be considerable. British Petroleum, for example, is planning to spend £32m on energy conservation at its oil refineries over the next four years, but it is hoping for a saving of some £33m a year as a result. The company has set itself a target of saving 15 per cent of its energy consumption — based on 1973 levels — by 1980.

BP's annual energy bill runs into hundreds of millions of pounds and the advantage to the company of conservation is therefore considerable. The Department says it is much harder to persuade a smallish concern, which is low on energy consumption—say, 5 per cent of total costs—to make a real effort on conservation. It has been found that this sector of industry is not always prepared to make even basic housekeeping savings, let alone to put money into conservation.

Capital expenditure can be used to introduce new, energy-efficient plant to insulate or otherwise modify existing machinery and to finance energy recovery equipment. For example, it is now possible to recover heat from industrial processes where cooling is required and then use it to heat office or factory buildings. This can be done in the case of plastic injection moulding where refrigeration is used to chill mould cooling water, and one plastics factory in Staffordshire claims to be saving over £15,000 a year using a heat pump.

As part of its campaign, the Department is financing a programme of demonstration projects to show industrial concerns the potential for energy saving—initially in the field of waste heat recovery. It is also undertaking studies of 21 energy-intensive industries in order to provide details of energy savings problems and potential. Reports on these studies will be published where it is thought they will prove useful.

In addition to this the Government is considering introducing building regulations requiring the provision of appropriate controls on heating systems. If regulations are introduced they will apply to the installation or replacement of heating plant in industrial buildings.

Industry accounts for roughly 40 per cent of all the energy used in the UK and this means a total industrial fuel bill of about £6bn a year. Mr. Anthony Wedgwood Benn, the Energy Secretary, has said there is strong evidence to suggest that "a saving of 10 per cent at the very least is well within the grasp of industry." He estimated that this means "about £500m is there for the taking."

The long term aim of the Government's conservation campaign is to save the equivalent of 10m tons of oil a year by 1985. This would be worth about £700m a year in 1977 prices. The £1.5bn estimate of the total energy savings made in the three years from 1974 to 1976 seem promising in this context and would suggest that officials are right in claiming some measure of success for the conservation campaign.

Sue Cameron

Steelmakers join the search

THE ENERGY put into each tonne of iron or steel made is the most important fact governing the acceptability of that metal for industrial use. If energy costs become too high alternatives to iron and steel will have to be found. If energy costs are relatively low in comparison with other materials then the prospects automatically become good for the greater use of ferrous metals.

Thus every steelmaker in the world has been stepping up the search for energy savings in the production process during the last few years as energy costs have soared. Energy saving has become one of the most significant areas in which steelmakers have been able to improve productivity.

But the simple equation of energy savings leading to cheaper steel has become complicated recently by the world recession in steel-making.

For three years the big international industries have been in recession and producing at only a fraction of their normal outputs. The new factor that has entered into all steelmakers' calculations is that efficiency falls—particularly efficiency in energy usage—as production falls.

As far as the British steel industry is concerned this means that while scientists and engineers are still straining their inventiveness to save energy in the iron and steel processes the plants themselves are wasting energy at a prodigal rate because they are not working at optimum capacity. As the tonnage throughput of a steelworks falls away from the designed capacity a great number of the energy drains unfortunately remain constant. For instance, the piped steam and gas systems have to be kept at operational levels even if the works is down to 50 per cent of its normal output. And the re-heating furnaces used at various stages of the process (to bring the metal back up to a proper temperature for work to be done upon it) have to be kept alight although they are doing far less work.

British Steel has been trying to cut down its own energy bills during recent months by concentrating available orders for steel upon a small number of the most efficient works. This has meant that, for instance, the Llanwern sheet works in South Wales has been given more work so that it can roll at a rate of some 2.5m tonnes a year while older works have been put on to a semi-care and maintenance basis by closing blast furnaces and steel furnaces.

But for British Steel and the other world steel-makers energy costs will remain disproportionately high as long as the recession in demand for steel persists.

The energy usage pattern of British Steel is now about 68 per cent coal, 22 per cent oil, 5 per cent natural gas, and 5 per

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ENERGY FOR INDUSTRY V

Government tries to set an example

THE PUBLIC sector is one of the biggest single users of energy in the country. It spends about £2bn a year on energy, accounting for some 15 per cent of total consumption. Of this total, about 9 per cent is consumed in local authority housing.

The Government and other public sector bodies, therefore, are in a prime position to set a leading example to the rest of industry in the efficient use of energy.

Local authorities, under pressure from ratepayers to keep costs down during inflation, have been in the forefront of energy saving campaigns. In central Government the Property Services Agency, which is responsible for the upkeep of all Government buildings, has also for some time been implementing energy saving programmes.

One of tthe earliest formal recognitions of the need for energy saving in the public sector came in 1955 when the former Ministry of Education issued a circular to all local authorities urging the appointment of an officer for energy conservation.

A few progressive local authorities, such as Kent, West Sussex, and Hertfordshire County Councils took notice of this circular and their success in fuel savings dates from that time.

Local authority buildings encompass a wide range of domestic, commercial and industrial premises, such as schools, offices, workshops, depots, residential homes and housing. Thus the potential area for savings is considerable. An authority with a fuel bill of £5m, for example, could expect a recurring annual saving in fuel costs of between £250,000 and £500,000. Savings accruing from energy saving measures can form a "rolling programme" from which other measures can be financed.

One local authority which achieved energy savings of around 10 per cent was Walsall in the West Midlands. The council found in the mid-1970s that its education department was accounting for an increasing proportion of its energy budget. The 1974 bill of £650,000 was expected to rise to £1.2m by 1978 — about four-fifths of the total energy bill.

The council, therefore, decided to carry out a pilot study of energy saving measures in seven out of the 180 buildings for which the education department was responsible.

Study

The pilot study revealed that heating was often left on unnecessarily at night and at weekends; thermostats were set at a level in excess of the statutory heating minimum; and defects found in the design of heating systems and the controls which manipulate them. The study came to the conclusion that there was "little to be done in many cases without significant capital expenditure but, on a cost-effective basis, there seemed little doubt that much expenditure would be justified."

Action was taken, however, to extend winter school holidays to save fuel.

Early results of the pilot study showed that the average savings from such relatively cheap energy savings measures was in the region of 20 per cent. Other schools were told of savings that could be made on lighting and heating and the policy regarding use of premises, swimming pools and the kitchens.

Since then the average saving being achieved is 10.8 per cent, with the seven schools in the pilot study maintaining savings of 21 per cent.

The Government has made financial help available to local authorities to carry out energy saving programmes. The main aim of last December's energy saving package was to raise the energy efficiency of a whole range of public sector buildings.

One area of the programme of considerable interest to local authorities is the Government's decision to bring a large number of public-sector dwellings up to a basic minimum standard of thermal insulation. Standards of insulation in local authority housing are very low; over 2m council homes fail to come up to even the basic minimum standard. The Government is therefore embarking on a 10-year programme of loft insulation, tank lagging and draught sealing for public-sector housing. Over the next four years this will involve an annual expenditure of over £28m.

In addition, there are to be talks between the Government and local authorities on the substantial savings to be made in the space-heating of buildings. Extra funds—up to £7m a year—are being made available for installation of heating controls and the appointment of staff specifically to ensure efficient energy management.

Within direct Government control, the Property Services Agency has undertaken to reduce its annual fuel consumption by some 30 per cent by 1979.

The PSA campaign is controlled centrally from London headquarters but monitored throughout its eight separate regions, including Scotland and Wales, with each unit co-ordinating the work of the Agency's mechanical and electrical engineers and putting their recommendations into effect. Continuing liaison with the Department of Energy is also maintained and a profitable cross-fertilisation of ideas and schemes has resulted from the Department's co-ordinating committee, on which the PSA is represented.

Energy saving measures introduced by the PSA include setting office temperatures in Government buildings at 65 degrees F as opposed to the 68 degrees F recommended. Such a relatively simple change can produce savings of many millions of pounds.

Perhaps one of the PSA's greatest single achievements to date has been the development, in conjunction with Honeywell, of an optimum start control mechanism, now being used in Government buildings throughout the UK. The system has been especially designed to match the particular heating requirements of the PSA's many buildings which are only intermittently occupied. A timing mechanism trips the heating system in advance of the employees' arrival and shuts it down after their departure, ensuring that fuel consumption is strictly limited to that period when personnel are likely to benefit.

The PSA has also devised a tariff selection computer programme aimed at ensuring that its gas and electricity supplies are provided under the most beneficial tariffs available.

With the savings being achieved by both the PSA and local authorities, the Department of Energy hopes that industry will take heed and follow suit. But it may take more than mere exhortation to emulate the public sector for private industry to implement such savings.

David Churchill

Competition increases

THE ENERGY supply market is becoming fiercely competitive as the oil, electricity and coal industries try to combat the growing share of sales that is accruing to the gas industry. This competition has been heightened by the world surplus of crude oil and refined products which has tended to depress prices and give rise to discount offers in some sectors.

This temporary surplus of energy might be rather at odds with the exhortations from the individual supply industries to industrial and domestic consumers alike to make energy conservation a top priority.

All four of the supply industries are intimately involved in the mission of explaining energy conservation to industry. But it is also true that the message is inextricably involved with their marketing strategies, and none of them miss an opportunity to push the values of their own particular fuel at the same time that they are highlighting the virtues of energy conservation.

The central service provided by each supply industry, namely the provision of improved processes, techniques and management methods together offer both cash and energy savings and a strong reason to carry on using a particular fuel. Electricity and gas in particular can prove their worth in various premium applications and the supply industries are ready to involve themselves closely with a company to develop a special process technology.

A method developed by the electricity supply industry, for instance, has simplified the process of drying imported bales of wool.

Australian wool is mechanically compressed into bales to save on expensive shipping space. It arrives at the mills with the individual fleeces firmly stuck together by their lanolin content. The bales have traditionally been stored for several days in a special room maintained at a heat well above the normal indoor temperature so, as the lanolin gradually softens, the individual fleeces could be separated. The method took time, space and money. The introduction of the method of radio frequency drying meant that the bales would soften in four minutes instead of hours. The firm involved was able to save about 13,000 gallons of oil a year, worth more than £4,000 plus achieve other economies particularly in the saving of space.

Electricity holds the smallest part of the industrial market on a heat-supplied basis with some 12 per cent. But industry still buys some 78,000 GWh of electricity from the public supply, accounting for 40 per cent of electricity sold and amounting last year to a revenue of more than £1.3bn. The trend of sales to industry, though from a relatively small base, has shown consistent growth since the worst of the recession in the summer of 1975. Sales 1975/78 were expected to be about 5 per cent higher than in the previous year.

At least a quarter of industrial electrical energy is used in the form of electroheat. In this connection heat recovery systems are being successfully applied in situations where there is a surplus reject heat and a need for heat elsewhere. On a broader front it is possible to recover heat from industrial processes where cooling is required and use it to heat offices and factory buildings.

About three-fifths of the electricity used in industry is for motive power — mainly for driving production machinery. Special care is needed in the selection of the type and size of electric motors to minimise energy costs throughout the life of the plant and initial capital costs can be reduced by selecting motors properly sized for the load. The electricity supply industry is ready to make available its experience to the building industry as well as the manufacturing sector. For several years it has been pursuing an approach of integrated design in its own buildings with special emphasis on the efficient use of energy.

But it is the gas industry which has probably gone furthest in linking the promotion of its fuel with its potential for saving costs in industrial processes, and it has even established a special School for Fuel Management.

The school has made rapid progress since it was first established at Solihull at the research station of British Gas' Midlands Region. In the first year of its operations alone more than 1,000 directors, senior executives, managers and other representatives of the business world and public organisations attended its courses, either at the school itself or at sessions throughout the country.

British Gas, of course, has a special incentive for boosting sales of gas to industry for premium uses over the next few years, as it is faced with the task of finding markets for rapidly increasing supplies of gas it is contracted to take from the northern North Sea fields, such as Frigg and Brent.

About 30 per cent of the total heat supplied in Britain comes from gas and it meets about 18 per cent of the UK's primary energy needs. The gas from Frigg alone will add 30 per cent to the gas industry's supplies by the end of the decade. The target rate the Gas Corporation has set itself for expanding sales in the next four to five years is some 700m therms a year. About three-quarters of the growth in the industrial sector will be in special contract sales rather than in the tariff market, and fewer sales will be made on the basis of interruptible contracts.

In common with the other supply industries, the oil companies, which in 1976 had a dominant 38 per cent of the industrial market on a heat-supplied basis, all maintain technical advisory staff to offer advice on fuel consumption and efficient combustion to customers. Esso, for instance, has recently produced a special practical training programme for boiler operators throughout industry to aid the safe and efficient use of automatic steam boilers.

Petrol represents only about 18 per cent of oil consumption in the UK, but there is much scope for using it less wastefully. Among others Shell is studying a number of opportunities for improving petrol consumption which have been identified by its fuel scientists at the Shell research centre at Thornton in Cheshire. It is believed that cars are potentially capable of an improvement in fuel economy of about 50 per cent over the next ten years.

The coal industry has lost considerable ground in the market place, its share of the industrial market going down from 46 per cent in 1966 to some 23 per cent in 1976. Any improvement in the short-term will be derived from coal becoming more competitive through increased productivity and moderated cost increases.

For the long-term, however, the coal industry is putting a lot of investment into research on improved coal utilisation. The National Coal Board hopes that the fluidised bed combustion system currently being developed, will make a considerable contribution to energy saving and through the elimination of sulphur emissions that it will be environmentally beneficial. The NCB is also developing techniques for the conversion of coal into oil and chemical feedstocks to replace the oil when it begins to run out.

Kevin Done

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cent electricity. The private sector steel-makers are far more closely linked to electric steel-making. All told, when the British steel industry is working briskly, it takes 9 per cent of the nation's total energy consumption.

The principal energy savings in bulk steel making in recent years have been achieved by using high quality foreign iron ores which enable more iron to be produced for each tonne of coal turned into coke at the blast furnace coking ovens. In parallel with that development blast furnace technology has itself improved with each furnace bigger and more efficient that the last. An optimum size now appears to have been reached with the 10,000 tonnes a day furnace being built for British Steel on Teesside. A second similar furnace was scheduled for Port Talbot, South Wales, but plans for that have been deferred indefinitely as part of the recasting of the Corporation's investment programme.

The change in the steelmaking process from open hearth furnaces—which take many hours to melt a charge and produce the steel—to quick-acting basic oxygen vessels is also proving to be a major area of energy saving.

One of the major worries for steel managers in Britain is the rising price of coal. British Steel—by far the major purchaser—has agreed to take 75 per cent of its needs from the NCB. But the price has risen from £6 a tonne to more than £30 a tonne since 1970. Furthermore it is becoming increasingly difficult for BSC to absorb all the coal the NCB wants to sell it during the steel recession.

Faced with a £320m coal bill for 10.5m tonnes of coking coal during the current year British Steel is casting around for new savings.

Three main measures are being taken. A programme to use less coke is under way. By various devices, such as injecting oil into blast furnaces, savings can be made. There should be continuing gradual reductions in the ratio of coke to steel because of this sort of good housekeeping. Next BSC is blending varying qualities of coal by automatic selection methods in order to get the best mix from what the NCB sells.

Third, BSC is improving its coke-making techniques. One way is to pre-heat coal before it is fed into the coke ovens in order to remove moisture. Preheating plants are being installed at some BSC works.

More energy savings on BSC's massive coal bill are likely to come in the future from what is being called "Supercoke." It sounds dramatic. In reality it is coking coal and non-coking coal formed together into carbon briquettes. Experiments are going on at a plant in Scunthorpe. However, it would be many years—even if the experiments are successful — before the big BSC coke-using plants could all be equipped to make and use supercoke.

In the short term the main hope of all British stelemakers is that the market will continue to pick up after the hopeful signs of recent weeks. If plants can be worked hard they can overnight achieve something like a 10 per cent energy saving per tonne of iron or steel made compared with their performance at lower levels of working.

Roy Hodson

Savings in chemicals

THE CHEMICALS industry is one of the major industrial users of energy. But unlike other big users, such as the iron and steel industry, it also consumes considerable amounts of oil and gas as feedstock for a great range of different processes and products. Petroleum feedstocks for chemicals represent about 8 per cent of crude oil consumption in Western Europe and this is a share that has been steadily increasing.

The chemical sector consumes more than 14 per cent of the total energy used as fuel in industry in the UK, a share that is only surpassed by the iron and steel and engineering sectors. The result is, of course, that energy represents a higher-than-average proportion of total costs for chemicals compared with industry as a whole. This has meant that there has been a continuing awareness of the benefits that sensible use of energy can bring. Energy conservation is not a new phenomenon in the chemicals industry but the sector's effort to reduce consumption was certanly stepped up in the wake of the OPEC oil embargo, which brought a quadrupling of oil prices. Last year the industry spent more than £1bn on purchases of energy as fuel and feedstock.

Growth

Chemicals have, of course, been at the forefront of the UK's industrial growth in recent years, so it is not surprising that demand for energy has been running ahead at a faster rate than that for industry in general. Between 1965 and 1975 the industry's demands on the nation's energy resources grew by 12 per cent. But in the same period production grew by 56 per cent—chemicals grew by 5 per cent a year from 1966 to 1976 when the rest of manufacturing industry managed only 1.5 per cent a year.

Given the much lower growth rate for energy consumption than for production, the chemicals sector has made a fairly spectacular saving already in the amount of energy it uses per unit of product. Between 1965 and 1975 it cut its energy needs by 28 per cent per unit of product. Energy conservation is now accepted practice by the large and medium-sized companies, but there is concern that smaller members of the industry have not yet realised the potential for savings that exists.

Savings have come from a variety of sources. In the short-term the industry has improved its "good housekeeping" record in terms of better maintenance and quicker repair of faulty equipment. But the biggest gains are to be made from more radical changes. Existing processes have been modified and plant and equipment has been adapted with energy conservation made a top priority. For the long-term the industry is researching entirely new processes and gradually introducing less energy intensive products.

But the easy gains have been made. Over the 10 years from 1976 to 1986 the conservation targets are of necessity rather less ambitious. The Chemical Industry Association, which is active in preaching energy conservation to all companies in the sector, forecasts that over the next 10 years energy savings per unit of product will amount to about 7 or 8 per cent. Energy consumption is expected to grow at about 1 per cent less than the growth of output from 1976 to 1981 and only about ½ per cent less from 1982 to 1986.

The UK chemicals industry compares well with its major rivals in Europe and the U.S. for the way it has learned to use energy more efficiently. Only France and West Germany have comparable records over the past 10 years, while the U.S. has lagged far behind. The U.S. has lacked the same economic stimulus given to the European industry to cut energy use and has lived for many more years with access to cheap energy. The U.S. boasts one of the most sophisticated chemical industries in the world, but with plentiful supplies of low-cost oil and gas it has been wasteful. According to figures produced by the Chemical Industries Association, the British, French and West German industries' consumption of energy per unit of product is only 60 per cent of the total consumed by the U.S. industry.

All this is now changing of course and the U.S. industry has also learned from the shock delivered by the OPEC oil price increases. It is pouring considerable resources into the battle to become more energy-efficient and has now set up probably the most sophisticated energy monitoring system of any chemical industry in the world. The chemicals sector has been set the target by the U.S. Energy Department of cutting energy use by 14 per cent (measured by the amount used per unit of product) by 1980 compared with 1972.

Most of the chemical majors in the U.S., such as Du Pont or Dow, will comfortably exceed the industry's general goal. By the end of last year, for instance, Du Pont, the largest U.S. chemical company had already cut its energy use per unit of product by 15.7 per cent. The company's energy savings from the beginning of 1974 to the end of 1977 totalled the equivalent of 17.4m barrels of oil.

In the UK leading chemical companies have made savings that are equally impressive. Imperial Chemical Industries has seen the average amount of energy used per unit of product fall by 18 per cent from 1971 to 1977. If it had continued to use energy at the 1971 rate the extra cost in 1977 would have been at least £40m. These savings resulted partly from the better running of existing plants and partly from expenditure on modifying existing processes. But the most significant savings can only come from radically new processes and plants.

Energy conservation efforts are not always cheap. British Petroleum, for example, is spending £57m on energy saving projects in its chemical plants and refineries over the next few years. Of this, BP Chemicals is spending £25m on 40 separate schemes. But the resulting savings will more than justify investment on this scale. BP Chemicals has already cut energy consumption by more than 10 per cent compared with 1973. Now the BP group is aiming at cutting energy consumption by 15 per cent over the 1973-80 period. In the next four years £33m will be invested at BP's refineries to make them more energy efficient, but that should achieve annual savings of almost £33m.

The chemical industry is also the UK's largest private generator of electricity. It uses about 9 per cent of the total electricity consumed in the UK and 22 per cent of that used by industry. It generates about 30 per cent of the total itself. Its usage of electricity has been fairly stable over the last 10 years but the picture for its use of other fuels has changed dramatically. Gas has moved from a negligible market share in 1966 to controlling more than half of the industry's energy requirements. But there has also been a broader move towards premium fuel applications, which has increased, too, demand for the lighter oil fractions. Both these moves have been at the expense of coal.

Further changes in the UK will be evident with the availability of new feedstocks from the North Sea. For the first time supplies of ethane are becoming available for use as feedstock in specially developed ethylene plants. And several companies are investing many millions of pounds to make their base petrochemical plants more flexible, to allow the use of liquid petroleum gases (propane and butane) as well as gas oil and naphtha as the basic petrochemical feedstock.

Kevin Done

Economical motoring

THE MOTOR industry has not, as yet, had to face up to the most serious implications of the oil crisis. Petrol prices to-day are about the same, in real terms, as they were in 1973. The motorist, despite the steep increases in 1974 and 1975, has not been forced to demand economy at any price. Larger-engined cars have recovered from the slump in demand and remain just as important a part of the market as they were five years ago.

All the same, the long-term pressures towards better fuel economy are having their effects. These changes are seen at their most dramatic in the U.S., where every car range is being totally remodelled to create lighter, and more efficient, vehicles. In Europe and the UK the change cannot be quite so striking, since the average car is smaller in the first place. But similar design alterations are under way. Lighter components are being developed, more precise electronic controls being produced, and vehicles restyled to give less air resistance.

Legislative fiat has given some guide to the way the industry has to react in the U.S. By 1980, individual car manufacturers will have their annual vehicle output tested against target fuel consumption rules and will face a fine on every car if they fail to reach this. The benchmark is an average fuel consumption per manufacturer of 20 mpg within the next two years, and 27 mpg by 1985—a figure which few European producers could achieve. By contrast, Britain's only equivalent step in forcing economy on the industry was the 1976 company car definition, in which the Treasury decided to make personal tax higher on larger-engined vehicles provided as a perk.

Although there are many critics of the American approach (some economists would like to see the industry forced to change through the petrol price mechanism) there is no doubt that it will speed up the application of new technology. The problem all manufacturers face in responding to the new challenges is that they have vast amounts of capital tied up in existing plants. An engine line, for instance, lasts for 25 years, and the normal approach to improving performance is related to this 25-year cycle. The demands in the U.S., however, are leading already to a great deal of work on new power units—General Motors is looking at diesels, and the whole industry is moving towards a replacement of its large capacity V8 units, which used to account for a little over 50 per cent of production, by V6s and even 4-cylinder engines.

Diesels have also encountered a big surge of interest in Europe. The reasons for this are twofold. First, some Governments, notably in Italy, France and Spain, have decided to encourage its use by favourable tax concessions—in Italy, diesel sells at one-third of the price of petrol, and in France at about half. Second, in terms of mpg, diesel has been shown to give motorists about a 30 per cent better range than petrol.

There is still a great deal of argument in the industry, however, about the real utility of diesel fuel. Some economists argue that since it is a denser fuel than petrol (about 10 per cent) there is little advantage in using it in terms of saving on the amount of oil being consumed; and the additional cost of heavier engineering to accommodate the stronger engines which are needed (diesels work by compressing air until fuel is hot enough to explode) for the higher compression ratios of the engine, make diesels more expensive vehicles to manufacture.

Nevertheless, there is clearly a lot of interest in diesels at present which is not going to evaporate overnight. One strong point of the engine is that it gives a number of manufacturers a quick route towards meeting the miles per gallon regulations in the U.S.

The desire to produce generally smaller capacity engines has also revived interest in turbocharging. The principle behind this technique is well-established: the engine exhaust gases are used to drive a compressor which in turn pumps extra air into the engine to give it a better performance. In the past, however, turbocharging has only been thought suitable for commercial vehicles partly because of the higher fuel consumption in this field, and partly because turbochargers are difficult to refine.

At the same time, a lot of work is going into petrol engine design as well. There is no doubt that the next generation of engines will have much improved economy over today's standard units. They will use lighter metals, new cylinder head designs, and the development will be weighted towards economy rather than performance. Aluminium will be widely used. In many engines, electronics is also expected to make a contribution. Petrol injection methods, using electronic means of determining the moment of fuel injection, will gain wider currency because this is a more efficient way of supplying fuel to the engine, and, because of this, gives a cleaner burn.

Electronics will also help economy in two other ways. First, their increasing application will generally lighten the weight of a car. Second, they will be called in to exercise much more control over the operation of the engine, thus maximising the use of fuel. Electronic ignition, injection and even gearbox control is now being developed for use in all ranges of cars; and "closed loop" systems of modifying engine performance through checking the exhaust gases are also gaining wider application.

The new ranges of cars which are being developed will also use more aluminium and plastic. The idea of this is to cut down weight, which is the biggest single factor in high fuel consumption. This means that the high content of steel in the modern car will gradually be reduced, giving way, in the main, to aluminium, plastic, and new alloys. Aluminium has, of course, been used by some manufacturers for engine construction for some time. But it is now moving into some areas of body panel manufacturing. In the U.S., a number of cars today have aluminium bonnets and boot lids. Plastic will similarly be used for both small components and panels.

Better aerodynamic design is also contributing to more efficient fuel usage. Research in this field is the main reason for the growing similarity of shape in today's cars, with the drooping nose, swept-back windscreen and wedge-shaped rear end. This sort of design reduces air friction, and can improve fuel consumption by up to 5 per cent over more conventional shapes.

Terry Dodsworth

Textiles groups take notice

TEXTILES IS not on the face of it an industry which might be expected either to have an energy problem or to offer major opportunities for energy savings. In terms of total costs, energy accounts for much less than wages and raw materials, and the processes which most frequently spring to mind—spinning, weaving, knitting and sewing—use energy in the form in which savings would appear least possible—as motive power.

Yet one of the industry's big groups, Courtaulds, was among the earliest in British industry to go seriously into energy saving, and has been able to claim savings of £10.5m over a two-year period. The industry's research associations have also been studying ways of cutting down consumption and, according to figures produced by one of these, the Shirley Institute in Manchester, the different sectors of the industry could cut their fuel bill by between 15 and 19 per cent with the aid of mostly inexpensive measures, representing in total value a saving of perhaps £20m a year.

There are a number of explanations for this. Like most other industries textiles has for too long been prodigal in its use of energy for space heating, and this is one important area where savings can be made. More important, there are some parts of textiles where energy consumption is a major part of total costs, and substantially greater than in many other manufacturing sectors. At some point in the processing chain most textiles have to be bleached, scoured, dyed, washed or wet processed, and this involves the heating of water and the drying of wet cloth. It is here, as the Shirley Institute studies have demonstrated, that the big savings in textile energy usage are possible.

The possibility of cutting down on the fuel bill is also of considerable importance to textiles in its battle for survival. The constant pressure under which it has had to operate for some time because of competition from imports means that it can ill-afford to overlook any area where ways of reducing UK manufacturing costs can be found. The scope for savings has also attracted the interest of the EEC authorities, who have selected textiles as one of four areas, together with brick-making, steel and non-ferrous metals, for special research. The Shirley Institute has been selected to carry out research on certain finishing processes under a £100,000 grant, half of which will come from the EEC Energy Research and Development programme, with the rest coming from the UK Government and industry.

In both spinning and weaving the problem is the lack of attention that has been paid in the past to efficient use of equipment for keeping mills warm or cool—a finding borne out, it would seem, by Courtaulds' experiences, too. Courtaulds is reported to have found that out of several hundred air conditioning plants barely a dozen were operating at their lowest design cost, and in some cases heating and cooling plants were working against each other. The problem according to Dr. John Roberts, who is in charge of Shirley's IETS, work is that in many plants louvres tend to be opened in summer and then not closed again, making it necessary to provide extra heat in winter. Yet in many spinning plants the amount of heat generated by driving spinning frames and by the friction of the yarn ought itself to be enough much of the time. In spinning, Shirley calculates that savings of £2m could be made, with a similar sum coming from weaving. In both cases the key is more efficient use of boiler equipment, better distribution of heat, improved insulation and other good housekeeping measures.

Washing

One Shirley exercise has shown that savings of as much as £60,000 were obtainable from changes in washing procedures at one plant. These included improved agitation, reducing the number of passes the fabric makes through the water and, perhaps most important, reversing the flow.

The considerable quantities of hot effluent generated by the industry can also be put to use by passing it through heat exchangers for subsequent use in warming up further quantities of liquid. Heat exchangers are now being supplied as integral parts of some pieces of finishing equipment, and in one case it is claimed the cost can be saved in single shift working in one year, and in a much shorter period with more intensive use.

Elsewhere in finishing the main potential savings are in the use of drying equipment where for a number of reasons there has tended to be over-drying of fabrics. The main piece of equipment used is the stenter, consisting of a hot air chamber through which the fabric passes. In many mills the tendency is to have an excessive flow of hot air, but new instruments are now available which control the rate at which air is drawn in and extracted so that an optimum level of moisture content in the atmosphere, consistent with evaporation, is maintained.

Another instrument, also designed to prevent energy waste through over-drying, has been developed by WIRA at Leeds, which has been responsible for undertaking, in conjunction with Shirley, work on energy saving in the woollen and worsted industry under the thrift scheme. The instrument, a specially developed monitor, measures temperature at two points along the path followed by the cloth, enabling the operator to adjust the speed of the machine to ensure the correct amount of drying is applied. Energy savings of as much as 20 per cent are claimed from use of the monitor, which can also be automated.

With these various measures savings of as much as £7m could be achieved in the finishing sector, according to the Shirley research. In the woollen and worsted sector, where the main saving would again come at the finishing end, with a smaller contribution coming from spinning and weaving, the figure is put at £5m, and in hosiery, where finishing is again a major element, a saving of £2.5m is calculated.

Within the industry, therefore, there is scope for substantial saving, but there remains a major problem of isolating areas of inefficient heat use. The industry itself is highly fragmented, consisting of very many small units, and within individual plants a wide range of equipment is used for the different processes. In each plant a comprehensive audit is needed—an approach which Courtaulds itself has adopted. Each of the company's 300 sites has had at least one executive responsible for energy saving who reports to an overall energy co-ordinator.

It is this sort of approach which is likely to be backed in the next phase of the thrift scheme when the emphasis will be on helping companies to set up their own internal audits. If successful it could enable companies in the industry to turn some of the estimates of possible savings into hard cash which can be reinvested to achieve higher profitability and greater competitiveness.

Rhys David

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Watford Palace

Rain by MICHAEL COVENEY

Gloria Grahame is not exactly plump, nor is she exactly 27, but in all other respects she makes a fairly accurate assault on Somerset Maugham's unfortunate Sadie Thompson. You may remember Miss Grahame as the tight-lipped brunette who received a cup of coffee in the face from Lee Marvin in *The Big Heat*. Like so many Hollywood idols, she has taken to the stage in later years on the strength of her screen reputation. And, in her British debut, the reputation does not lie. A little wooden she may be; but Miss Grahame makes much of Miss Thompson as an ageing good-time girl stranded in the South Seas with a righteous missionary couple and a more forgiving medical pair.

The 1922 Broadway adaptation by John Colton and Clemence Randolph creaks like an old floorboard, but it has all the old-fashioned virtues of well-structured three-act melodrama. The ship's travellers are holed up in trader Horn's store-cum-hotel as a result of a cholera scare. Maugham's brilliant narrative is plundered for stage purposes to good effect—and even if Horn is given an unlikely native wife and Sadie's final vitriolic opinion of the male sex is feebly tempered with the prospect of a new life in Australia, the bones of the original remain intact.

The missionary, Davidson (Brian Oulton) is a zealous foil to the placatory central figure of Dr. McPhail (Michael Burrell). In their dialogue is continued the crucial debate of flesh versus the spirit. It is a simple debate couched in popular terms. Miss Thompson, pummelled by smug pieties seems set to return to San Francisco and the penitentiary. She is a whore on the run, lately escaped from the Honolulu red light district.

Davidson is committed to cleaning up degeneracy among the pagans of the South Seas. But early morning private prayer meetings release in him an animal lust that has remained untapped throughout a dusty and sanctimonius marriage.

Stephen Hollis's production moves swiftly along, despite some crude over-playing in the minor roles. The oppressively rainy atmosphere is splendidly reinforced by an evocative set by Hugh Durrant, where changes of light and temperature are registered as a backdrop to a realistic stage picture of rope, bamboo and cane furniture.

Leonard Burt

Gloria Grahame

Action Space

Young Guy Seeks Part-time Work

by B. A. YOUNG

"Do you do French?" the anonymous callers always ask the 16-year-old Steve on the telephone. Steve, whose father is a £9,000-a-year businessman and a conscientious Liberal voter, and whose mother is a small-L liberal child psychologist, does French and German, but does not habitually do relief massage, which the callers want. The number on a little card outside a Notting Hill stationers' shop has the telephone number badly written. Most of the calls are intercepted by Steve's dim and boring parents, but one day Steve picks one up, and having inquired what the fee is, sets out for his part-time work.

The morality of this venture is not what John Bowen is concerned with in this thin little play. What worries him is that Philip, Steve's father, means to go to the police, while Jane, Steve's mother, thinks this would itself be immoral. Their conversation, carried on over Steve's head as he sits quietly at the supper-table, his ill-got tenner safely in his pocket, then veers to the irrelevant question of whether or not Jane has ever suspected Philip of suppressed homosexuality.

So the only important point raised is whether "sex offenders" should be understood or punished, and as this is skated over in a couple of minutes there isn't much to be extracted from the play. If Steve were not such a pleasantly unambitious boy (when asked by the one client we are allowed to see if he "does French," he whips out Racine's *Iphigenie* and reads it to him), we could be sure that he would take up relief massage in a big way, having found out that it causes him little trouble, brings in quick profits, and is not to be punished by his parents; but I doubt if this is Mr. Bowen's message.

Rita Davies and Michael Browning play the parents, Adrian Hall plays Steve. The director is Alaric Cotter.

Old Vic

The Lunatic, The Lover and the Poet

by ANTONY THORNCROFT

For someone as "mad, bad and dangerous to know" as Lord Byron this evening in his company is curiously dull. A worthy and reverential mood is set from the start as the quartet of actors troop on stage with their files tucked under their arms like so many tax inspectors. They are joined by a sombre trio of musicians and the lesson begins.

Byron's life is diligently traced, with Derek Jacobi hogging the title role without the aid of a gamy leg—he did enough foot dragging in *I Claudius*. Isla Blair is all the women in the poet's life while Julian Glover and Harold Innocent make do as friends, servants, publishers, etc. It could have sparkled if the quotations had been sharper, the interaction between speakers more ping-pong, the music more imaginative. As it was it was just pleasant.

There were moments—Harold Innocent was affecting in his description of Byron's death at Missilonghi and Isla Blair was a well bemused Annabella Millbanke, the poet's unfortunate wife. Jacobi enjoyed himself with the poems but there were too few of them, and too much geographical detail and tedious commentary. It never became clear why Byron had to leave England and important aspects of his life—his political views and his relationships with his publishers and other poets—were largely passed over.

The scandal, the controversy, in fact the madness, badness and dangers, were played very *sotto voce*. And the music and movement, performed to dubious melodies, should have sparkled more. But for anyone who wants a civilised, cosy, evening go to the Old Vic on the right evenings—Byron is appearing in rotation this week with an entertainment based on writing about The Grand Tour, also devised by Jane McCulloch.

Television

Whatever happened to the news

by CHRIS DUNKLEY

Any doubt that television was suffering from a bizarre affliction affecting the mental processes of its staff had to be abandoned finally on Monday last week. That was the day when the five-power conference on Zaire was held in Paris. It was the day when five people were charged with complicity in the Moro kidnapping. It was the day when the education voucher report was published. In sport it was the day when England beat Pakistan in the first Test and Willis attacked Qasim with a bouncer, Colin Powers won the European light welterweight title in Paris, and three competitors were killed in the Isle of Man TT sidecar race.

So what did the BBC and ITV news programmes decide to lead on? The banning of some pathetic Scottish footballer whose urine contained Fencamfamin.

Television has surely reached a pretty desperate condition when it requires the former editor of a magazine as good as *The Economist* to open *News At 10* with an item in which he announces (in tones momentous enough to mark the suicide of a much loved sovereign): "These are the pills . . ." and the camera cuts to a huge closeup of yellow tablets being poured out of a bottle. The whole thing could hardly have been done more portentously if the pills had been used to poison the entire Cabinet. It is difficult to understand how Alastair Burnet can look himself in the face while shaving in the morning after delivering such rubbish.

More appalling still, the producers of BBC2's *Late News on 2* also decided that the pill-popping of the Scot was the most significant event in the world. That was even more dispiriting because we have come to rely upon the BBC's second channel to provide a reserve of relative sanity whatever absurd frenzies the other two channels may drive one another into.

But there are some disturbing straws in the wind blowing through this reserve. Not only is the BBC2 news virtually indistinguishable from BBC1's, but powerful rumour has it that after *Newsday* comes off the air for its usual (if mystifying) "summer break" on June 23, it will never reappear. *Newsday* is the only daily programme on British television where serious journalism—as that phrase would be understood at the Financial Times, say—is the rule; where foreign news is given due weight; and where a single item may take up most of the programme if it is considered important enough, as was Michael Charlton's interview with Morarji Desai on Thursday, for instance.

If *Newsday* goes, what programme will the BBC have left, on either channel, capable of dealing seriously with really topical events? *Tonight* produces good middle of the road journalism, with occasional wild aberrations, but it comes on relatively late in the evening, and even at its most serious it stands towards the popular end of the spectrum compared to *Newsday*. The answer is that apart from the weekly *Panorama* the BBC will have nothing of the sort left. ITV never had anything like it, of course.

And yet I understand that for some time now Dick Francis, BBC television's head of news and current affairs (NCA) has been investigating with the various departments concerned the idea of creating not greater similarity but a sharper contrast between BBC1's news and current affairs and BBC2's; possibly the kind of contrast that one finds between news on Radio 2 and on Radio 3. In other words the idea is to make NCA on BBC2 more serious.

It is acknowledged that the difference in substance might not be very great, but then a modified style and approach could make a huge difference: if the item on the doped footballer had been shortened, and placed last instead of first, that news bulletin would have been a very different kettle of fish.

The trouble is that with the summer break, then (judging from the entrails) the run-up to an election, and then the election itself, it seems highly unlikely that attempts at any new regular NCA programmes will be possible before early November, and equally unlikely that a complete new pattern could be properly tried out and established before next April. Meanwhile *Newsday* marches towards an untimely grave, and *News On 2* suffers from a brand of triviality and chauvinism quite indistinguishable from that of the news on both other channels.

However, we have meandered rather far from the particular disease afflicting television with which this article started. It is, of course, called The World Cup and a superficial impression is that it has infected everything on the box. Surprisingly, though, there is quite a lot hidden away in odd corners which has remained uninfected by the contagion: some repeats, some regular programmes, and even a few new ones.

The repeats of Roger Jenkins's short film series from BBC Bristol, *Sea Tales*, are well worth catching. His directors — John Elliot last week in *Captain Varley Goes Home* — have used their rations of film to striking effect. Elliot was credited as writer as well as director which is impressive since the words had a feel of verisimilitude smacking of real documentary. But it was the cutting from man and face to ship and sea and dock, putting the man in his context and bringing that context home to the viewer which was so telling.

The inherently banal story of a cross-Channel ferry captain making his last passage was given an extraordinary poignancy which videotape would be powerless to convey; a fact which was particularly striking on the day after watching Part 6 of *The Devil's Crown* on BBC2.

The atmosphere of this all-studio all-tape story of the Plantagenets is becoming very close and stuffy: one longs for the wonderful Jane Lapotaire and her brood to get out of the dark cramped cellars in which they seem to intrigue, fight and have their entire being, and go for a mad filmed gallop through the countryside—if only for 30 seconds.

However much one sympathises with the difficulties of working inside our budgets, and however interesting the story may be (which it is, for anyone taught history in the peculiarly fragmentary style of English schools) it is hard not to be irritated eventually by the sheer unreality of whole generations existing in torchlight and never going outdoors.

Even so, it is less than one hundredth as irritating as a 0-0 draw between Norway and Morocco played out there on the park that we have learned to call Corduba. . .

The best series of any sort currently running on British television, *Landscapes of England*, ends tonight with Professor W. G. Hoskins looking at the places he knows best: his home town of Exeter and the surrounding Devon countryside. His lyrical appreciation of the spring at Coombe Barton is typical of the best aspects of the series. Anyone who, like me, will greatly miss the weekly gourmet meal of landscape history dished up by Hoskins can find all 12 of his talks (this series and the previous one) in the paperback just published by the BBC, *One Man's England* (£5).

But while this seems to contain practically every word he has said on screen, as well as many good photographs, it is at best only a reminder of the glories of the programmes themselves. No book can begin to reproduce the marvellously rounded experience provided by Nat Crosby's magnificent film, particularly that shot from helicopters, the music by Gerald Finzi, John Ireland and others, and above all of course the professor's own inimitable presence.

I have a powerful feeling that Hoskins' friends used to "set his dish of cream for him o'nights when Stonehenge was new. Yes, before the Flint Men made the Dewpond under Chanctonbury Ring." And I have a strong feeling that in putting all the parts together, Peter Jones has produced a classic.

Another established series and one that continues through thick and thin and World Cups is *M A S.H.* which still raises more laughs per minute than any other series (including *Rhoda*). However it is becoming dangerously sentimental: not only is the once randy Radar being turned into a goody-goody choirboy type, but there is a tendency to leave poker-work mottoes hanging in the air. Thus a recent episode ended with Hawkeye asking the elderly C.O. which of the three wars he served in was worst, and the C.O. muttering "All of them, son, all of them." War is still seen as vile, and the wisecracking doctors are the only sane men around, but the series has gone soft at the edges if not yet at the centre.

More needs to be seen of the latest crime series—*Strangers* from Granada—before being sure, but the first episode looked like *Gangsters* running slowly in reverse: starting with the mandatory car chase through a multi-storey car park (complete with scattered garbage) it ended with the scene in the gay night club cum brothel cum gambling den. Don Henderson wore gloves throughout just as he did (surely?) in his last crime series.

He should be careful: someone might get the wrong idea and send him out to keep goal in the seething South American cauldron that we have learned to call Mendoza.

Francis Tomelty and Don Henderson in 'Strangers'

Festival Hall

Narciso Yepes

by NICHOLAS KENYON

Narciso Yepes visited the Festival Hall on Monday for his only recital this season in London. He devoted the second half of the concert to the music of Fernando Sor, the bicentenary of whose birth falls this year. Sor led an evidently fascinating career, travelling from his native Spain to Paris, London, Berlin, Warsaw, Moscow and St. Petersburg before settling in Paris for the last decade of his life. His reminiscences, too, are of great interest (they include the unique account of a Mass at Monserrat during which a Haydn symphony was played). Sor's activities have recently been chronicled in great detail by Brian Jeffrey in his fine book *Fernando Sor, Composer and Guitarist* (from Tecla Editions, Preachers Court, London EC1M 6AS).

I have to confess, however, that in comparison with Sor's music, Czerny's piano exercises sound like the deepest outpourings of the human spirit. Facile would be too positive a word with which to describe Sor's composing technique: this year's other centenarian, Vivaldi, has recently been accused of "composing by numbers" — Sor sounds as if he composed with regular permutations of no more than three recurring numbers.

Narciso Yepes' grave, eminently serious qualities as a guitarist were more evident from the recital's first half. Indeed, his reserved approach subdued almost completely the charm of Silvius Weiss' E major Suite: the counterpoint was strongly pointed, but the tempi were slow—demonstrably too slow in the Minuet and Allemande. Yepes played the ten-string guitar which he claims as his own invention, though he did include a piece written for such an instrument by Ferdinando Carulli (1770-1841). I didn't feel that the extra resonance of the four added strings increased the effectiveness of his Bach arrangements or his 16th-century Pavans by Luis Milan: the over-deliberate playing action which he was forced to cultivate and the heavy weight of sonorous harmonics which lingered after every chord both combined to detract from the sprightly clarity of the music.

Philharmonia's young soloists

The last two concerts of the Philharmonia's 1977-78 Royal Festival Hall season will be conducted by Andrew Davis, whose close association with the orchestra was highlighted recently when he stood in at short notice for Karl Bohm.

The concerts are remarkable for, among other things, the youth of the soloists.

On July 4 the soloist in Mozart's Piano Concerto in E flat, K.449 will be the 21-year-old French pianist Pierre-Laurent Aimard, making his London debut. Also included in the programme will be Schubert's Symphony No. 3, Messiaen's *Oiseaux Exotiques* and Ravel's 2nd *Daphnis and Chloe* Suite.

On July 13 the soloists in Strauss's *Don Quixote* will be Csaba Ardelyi (for the last four years the Philharmonia's lead viola) and the young cellist Raphael Wallfisch whose Festival Hall debut this will be.

The programme will be completed with the Berlioz Overture to *Beatrice and Benedict*, and the Philharmonia will end its first season under its regained name with an appropriate flourish in Beethoven's *Eroica* Symphony.

Shaw

I'm talking about Jerusalem

by B. A. YOUNG

The Dolphin Theatre has done well to give us the whole of the Wesker Trilogy in sequence, for among other things it shows us that this last play of the three is a better piece than it has sometimes seemed. *I'm Talking about Jerusalem* is Arnold Wesker's first shot at creating an ideal Socialist community, and here he keeps his feet on the ground. When he tried something more ambitious in *Their Very Own and Golden City*, substituting an entire town for a hand-made furniture workshop, he wrote nonsense. *I'm Talking about Jerusalem* is very sound sense; and because it is practical and truthful, it ends in failure.

Dave Simmonds, whom we met earlier as the man who fought in the Spanish civil war, has decided after serving in the RAF to set up as a small craftsman in a remote Norfolk cottage. (Mr. Wesker's characters have astonishing good luck at finding cottages: in *The Four Seasons* they find one empty and furnished.) The story is a simple one. It consists only of showing one by one the arguments against Dave's success.

The family, Jewish East Enders, believe the country to be fatal in itself. Libby Dobson, Dave's mucker in the RAF, has deserted Socialism and, in his cynical way, mocks Dave and his wife for not going into business properly. (Mr. Wesker makes Dobson so bestially uncharming that it is clear that this argument is peculiarly repellent to him.) Colonel Dewhurst, for whom Dave works as a carpenter, sacks him when he takes some old lino without asking for it, and reveals Dave's weakness for the loose morals of the city factory. Young Sammy, taken on as an assistant in the workshop, leaves to make money faster in the air of dark-roomed towns (to quote Dave's favourite song). And finally, Dave's brother-in-law that same Ronnie Kahn who bolted from Beatie Bryant in *Roots*, bursts into a characteristic melancholy at the defeat of what he recognises belatedly as a splendid vision.

It is not a very exciting play, more of an evening's debate; but there is a lot in it to think about. Anthony Cornish's production is so-so; I did not feel anything very Jewish about any of the Kahns except Momma Sarah (Barbara Young) and the two aunts who make a fleeting appearance in the second act. Jonathan Blake and Adrienne Posta play Dave and his wife Ada. There is a useful set by Bernard Culshaw showing the inside and the outside of a rustic cottage in astonishingly good order.

St. John's, Smith Square

Alfred Brendel

by DAVID MURRAY

Monday's BBC Lunchtime Recital was largely taken up by Schubert's expansive A major Sonata D 959, though the pieces Brendel chose to preface it and to make an encore were not negligible. The latter was a little Hungarian Melody of Schubert's, with a morosely insistent rhythm underpinning its plangent tune; Brendel characterised it with obvious affection. As for the B minor Adagio by Mozart which began the recital, it breathed calm tragedy. The simplicity of the writing belies the depth and power of the piece, and pianists are often tempted into over-dramatising it; Brendel kept it rock-steady, with only two or three touches of deliberate pointing, and the result was monumentally elegiac.

One half expected the same stern tenderness in the Schubert Sonata, but Brendel offered something quite different. The opening statement was flung out urgently and freely, and then the trickling quaver descent ushered the music into a realm of faery explorations, full of half-lights and unexpected turns: almost picaresque fantasy. After the disconsolate main tune of the Andantino, its impassioned middle section had a matching unworldly intensity, several degrees removed from mere declamation.

There was no sting in the Scherzo, but only playful glitter and ingratiating humour. After that, fragile poignancy such as Walter Klien found in the Rondo a few weeks ago would not have been in place. Brendel invested it with broad warmth at a very relaxed Allegretto, an "Ende vom Lied" to conclude the imaginative excursions. The echo of the Allegro theme in the final bars was discreetly just that, not a firm official reminder. Altogether this was a performance as rewarding and lyrical as the continuing Schubert celebrations are likely to bring us. It can be heard on Radio 3 (VHF only) this Saturday at 1.10 p.m.

Arts Council anthology of Short Stories

The Arts Council's annual anthology of short stores, *New Stories 3*, is now available (hardback: £4.95, paperback: £3.25).

After the favourable reception given to the two previous short story anthologies the Arts Council has published its third volume of the series in conjunction with Hutchinson and with the Pen Club. Out of more than 600 stories submitted, 29 were selected, all previously unpublished.

The anthology has been edited by Ronald Harwood, and Francis King. Among the more established authors represented are Robert Furnival, Giles Gordon and Laurence Lerner.

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The right MPs for Europe

WHEN the first direct elections to the European Parliament are finally held 12 months from now, it is important that they should be a success. It would be unfortunate if the new Parliament's credentials were to be open to doubt as a result of public apathy reflected in a low turnout at the polls. Candidates in the European elections will have a double task. In the first place, as in national elections, they will of course have to persuade the voters to elect them in preference to their opponents. In the second, however, they will also have to explain what the European Parliament is and the reasons why it should be taken seriously—whether they are pro- or anti-Market.

Dynamism

This makes it all the more necessary that the candidates should be of a high calibre. The tendency under the present system of "indirect election" has been for national parties and parliaments in most of the nine member countries to nominate their more easily dispensable MPs to Strasbourg. There are, of course, honourable exceptions. Nevertheless, the introduction of direct elections will have failed in at least part of its purpose if it does not enhance the dynamism of the Parliament's members.

That may not be the main intention of the Labour Party sub-committee which this week voted to ban MPs from simultaneous membership of Westminster and the European Parliament under the so-called "dual mandate" system. It is, nevertheless, a welcome decision. If the European Parliament is to be a proper Parliament, it must be able to command the full-time loyalty of its members. The dual mandate already hampers the activities of the present Parliament, which meets no more than one week a month. The directly elected Parliament will almost certainly meet more often in full session, quite apart from the time-consuming business of committee meetings and travel between the Parliament's three centres — Strasbourg, Luxembourg and Brussels.

It would be almost physically impossible for a directly elected MP to do a good job in both the European and his national Parliament. There is also a political problem to which attention has recently been drawn by Mr. Frank Allaun, a left-wing member of the Labour Party's National Executive Committee. He makes the perfectly reasonable point that the dual mandate would be unworkable "since an MP cannot represent one constituency of 500,000 people for the European Parliament and another of about 70,000 for the British one." Whether or not they share Mr. Allaun's views, the Conservatives are likely to adopt a similar position when they come to decide on the dual mandate in the near future.

Concern for the effectiveness of the European Parliament is not, of course, the main motive behind such thinking. Both of the major parties' minds have been focused on the issue by the imminence of a general election in Britain and the possible consequences of the dual mandate for their post-electoral fortunes at Westminster. The thought of snap votes in the Commons with up to 81 MPs away in Strasbourg, particularly if the election produced a hung Parliament, is a Whip's nightmare. But the prospect of a string of by-elections next June as sitting MPs defected to Europe is of equal concern. That option would also be ruled out by the Labour Party sub-committee's decision, which is expected to be endorsed by the National Executive Committee later this month.

Salaries

If, however, there is to be no dual mandate, the issue of the European MPs' salaries becomes if anything even more delicate. There will be great resentment at Westminster if the European members are paid the huge (in British terms) sums earned by some of their continental colleagues. There will also be an outcry if they do not pay British income tax. The best answer is probably along the lines of the scheme currently under study in the Community which would provide the same basic salary for European MPs from all nine countries. There would then be additional, variable allowances to account for expenses and differences in national earnings rates. It is essential, however, that the pay should be high enough to attract talented politicians to the European Parliament. If that, in turn, led to pressure for an increase in British MPs' salaries, it would be no bad thing.

New approach to London's roads

OF THE various factors that have contributed to the decline in industrial employment in London, the poor quality of the capital's road system may not have been the most important but its influence has certainly not been negligible. So it is welcome to find the Greater London Council fulfilling its role as strategic planning authority, saying that more must be done to remedy the most urgent deficiencies.

Minimum

It is a pity that the need was not recognised earlier, for urban road building programmes have been the victims of particularly sharp swings in political fashion. In the first flush of enthusiasm for Professor Buchanan's ideas about transport and land use planning in the 1960s, a Labour-controlled GLC proposed an improved London road network based upon three concentric motorway rings. In principle, there was a lot to be said for the Buchanan concept of traffic corridors and environmental areas. But the economic cost was likely to be high, and the political and social repercussions were considerable.

Public and private developers in Victorian times may have been able to get away with grandiose schemes for new roads and urban redevelopment. But, in an age of popular democracy, changes in public attitudes can encourage politicians to believe that votes are to be won by building roads in one year and by coming out against road building in another year. As a result, not only have the plans for motorway boxes been killed off and the routes no longer preserved, but London's road building budget has been cut to the barest minimum.

The scale of the cutbacks means that it will be some time before the new programme can be moved into gear. The GLC envisages expenditure rising from £66m in the last five years to £155m in the next five years and then reaching £280m and £420m in the two following quinqennia, with piecemeal improvement rather than new motorways being the keynote. The national radial routes outside London have been modernised but the M25 orbital route around the capital is still the best part of a decade away from completion. So road freight traffic from the Channel ports and the rest of the country will still have to claw its way through London's inadequate road systems for many years yet. Nor is there yet any assurance that the GLC's new programme will be sustained.

Nevertheless, the GLC's new programme is a start. Together with the other measures now being taken to arrest the decay of inner urban areas, it might help to slow down the further loss of job opportunities. The chances of winning back jobs that have already been lost are much more doubtful, however. The office development permit system which, together with rising rate calls and above-average labour costs, has been one of the main causes of London's high office operating costs may eventually go. But the Government has resolutely set its face against disturbing the present pattern of inter-regional priorities for industrial development.

Quality

In any case it is not only the controls on industrial development and London's high costs which have persuaded industrial firms to move elsewhere but the lack of physical space in which to expand and the shortages of skilled labour. It is hard to see how these problems can be made good for they reflect the desire by employers and employees alike to seek a better quality of life elsewhere. More sensitive planning policies may mean fewer small firms disappearing; and local initiatives, such as can be seen at Greenwich, may attract new ones. But London's employment prospects mainly lie in trying to slow down the loss of industrial jobs and encouraging more office and service activities. For both, a better road system will be needed.

The coming of the robot workplace

BY MAX WILKINSON

THE GOVERNMENT'S decision to risk a major investment in micro-electronics stems partly from the fear of a new industrial revolution which could fundamentally alter the relationship between capital and jobs.

Few now doubt that the integrated circuits pouring off the production lines in Japan and the U.S. at the rate of $4bn worth a year will wreak a series of unpredictable changes throughout industry and society.

The rate of change is arguable, but it is already clear that the new integrated circuit technology will bring an enormous increase in automation, industrial robots, and computer control. Even the slightly sinister phrase "artificial intelligence" is now beginning to have practical industrial implications.

In Japan, plans for a complete machine tool factory run entirely by robots and computers are already well advanced. The only humans involved would be in supervisory jobs, because even routine maintenance would be carried out by machines. Such factories would eliminate the jobs not merely of manual workers but of the complete spectrum of skilled operators.

Because of the huge capital costs, such completely automated factories may be slow to develop. However, the replacement of jobs by machines has already happened to a startling extent in some factories. In Southern Italy, for example, a computer system has been developed to run a refrigerated warehouse for 11,000 tonnes of ice cream. Only two operators are needed to work a system which can handle 100 pallets an hour for 15 hours a day and is capable of rotating the stock completely automatically.

Even in the mechanical assembly of small machines the developments of so called artificial intelligence are likely to have an increasing impact. Mechanical arms are being linked by computer to a television type of camera which can "see" the work being assembled. International Business Machines, for example, has completed a four and a half year development of its "mechanical assembler project" which can put together eight parts of a typewriter in 45 seconds and is applicable to a wide range of similar industries.

Such examples abound. In Japan for example, it is estimated that some 70,000 industrial robots are currently in service, about a third of them in the motor car industry. They undertake quite complicated tasks like welding, machining and increasingly the assembly of mechanical parts.

Even in the UK which is relatively a laggard in this type of investment, computer control of metalworking machinery and the automatic insertion of electronic components are becoming increasingly commonplace.

The integrated circuit technology which makes these developments possible undoubtedly has an element of black magic about it. Even engineers are often uncertain about how it works. Many people, including trade union leaders, are beginning to fear it, and to the majority of ordinary people the most factual descriptions sound incredible. At present circuits with up to 100,000 transistors can be etched onto a single slice of silicon less than the size of a postage stamp. By the middle of the 1980s it is expected that 5m to 10m components will be etched on a single chip.

This increase in complexity will, moreover be accompanied by a continuing fall in unit costs and an improvement in almost all aspects of the circuits' performance. The lowering of costs and increase in performance is, indeed, directly related to the reduction in size.

It is now commonplace to compare the influence of this new technology to that of the development of steam power in the late 19th century. Yet it is important to remember that micro-electronics is still in its infancy. After the invention of the transistor in 1947, it was not until the 1960s that techniques for connecting more than one transistor on a wafer became important. Simple micro-processors on a wafer started to appear at the beginning of this decade, but it is only in the last two years that the true micro-computer has been developed. Similarly the development of high capacity semi-conductor memories with 64,000 cells per chip is still at an early stage.

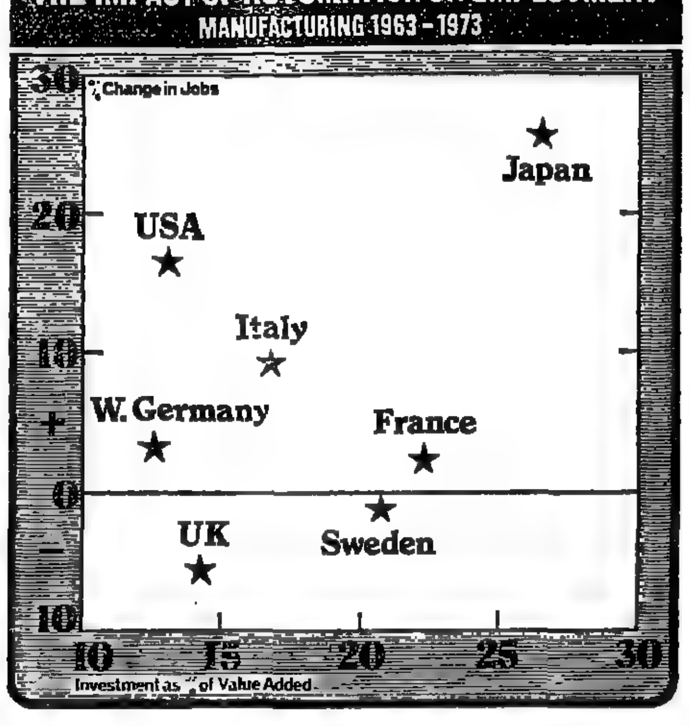
It may not therefore be too late for a European government to make a determined entry into this new technology, although the risk is high and the amount of money required could be measured in hundreds of millions of pounds over a period of five years or so. The British Government now appears ready to spend around £100m, partly through support to companies already in the field and partly by setting up a new semi-conductor subsidiary of the National Enterprise Board in co-operation with a group of American and expatriate British technologists.

The uncertainty of this venture can be judged from the fact that the Enterprise Board is currently talking about an investment of £20m to £30m. Some of its advisors talk about £50m and competitors like Philips and ITT believe an investment of £300m to £500m is necessary. Moreover, the Enterprise Board has been talking to the Government about the creation of some 4,000 jobs eventually. Given that the industry is currently turning over some £20,000 in sales per employee, the Enterprise Board's proposed subsidiary would have to achieve sales of some £80m a year. This is a truly formidable, though not impossible, objective.

A rapid penetration of the U.S. market with a narrow range of products including high density memories will be necessary; and this must be achieved against fierce competition from established companies like Intel, Fairchild, Mostek and the Japanese which are already well on the way to developing the next generation of products.

THE IMPACT OF AUTOMATION ON EMPLOYMENT

MANUFACTURING 1963 – 1973



The Government's decision to back such a speculative project must therefore owe a great deal to its anxiety about the general strategic implications of micro-electronics for the rest of industry. If semi-conductors are going to reduce employment in the UK, it is argued, at least the UK must have a stake in the technology which will effect the change.

But will the application of computers and micro-electronics to industrial automation necessarily lead to a loss of jobs? This is a major uncertainty facing most of the industrialised nations, particularly in Europe. Some economists argue that the electronics revolution will result only in the speeding up of the process of automation which has been with us for 100 years. Mr. Simon Petch, deputy secretary to the Engineers and Managers Association, for example, says the new developments can be seen "not as something qualitatively different in kind from anything else that the economy has had to deal with but merely as an extension of some of the long term problems which we have had to consider for many years now."

In a similar vein, a confidential analysis by a senior former Treasury economist points out that historical evidence leads to the conclusion that investment in automation is linked to an overall increase in employment even though jobs in some industries decline. He says: "In the UK between 1860 and 1960 the total population rose by over four fifths and the working population nearly doubled. But the rise in employment fully kept pace and, so far as comparable estimates can be made, the proportion of unemployed fell slightly. This rise in employment was accompanied by a massive investment which resulted in a quadrupling of the capital stock of the country."

Obviously, such historical data must be treated with great caution, because it cannot allow for the radical change in the technological foundations of industry which is now taking place.

But the point remains: we cannot possibly foresee the mass markets of the future, any more than economists of the 1930s could predict, for example, the current sales of television sets, calculators or indeed the market for industrial robots.

Any attempt to achieve a general overview of the relationship between investment in machinery (with or without electronic control) and the creation of jobs is complicated by the almost complete lack of correlation between such investment and changes in manufacturing employment. The diagram shows in general that large investment in Japan has been associated with a big increase in employment while the reverse is the case in the UK. However, the widely dispersed relationship between investment and employment in the U.S. and Sweden, for example, shows only that it is difficult to make any generalisation.

The relationship must, inevitably be complicated, for even in industries where investment will reduce employment (telecommunications is an example), this may create more jobs by opening up new market sectors or by cycling profits into other parts of the economy.

This is one reason why it is desirable for the UK to have a share in such a highly capital intensive field as the production of micro-electronics. Even if a UK company in this field made no profit, the support given to the computer, control and automation and even the office equipment industries could be enormous.

However, even if a new equilibrium is eventually reached between capital spending and the creation of jobs, it is likely that a period of severe upheaval will precede it in the shorter term.

The main reason is that it is difficult to see any major industry in the manufacturing sector which will be immune from the trend for the number of jobs to contract. Moreover the office and secretarial jobs which have shown a steady increase for several decades will also be threatened by computers and micro-processors. Automatic typewriters, electronic communications, and large computer filing systems will all have their effect.

In Germany, which has the largest office population in West Europe and the highest degree of automation, a study by Siemens estimates that by 1990 about 40 per cent of present office work could be carried out automatically.

Similarly in France a recent report commissioned by the Government (L'information de la société) emphasises the dangers to employment and suggests that banking and insurance will shed about 30 per cent of their labour force over the next ten years.

In the UK, Mr. Alex d'Agapayeff, chairman of Computer Analysts and Programmers, one of the world's leading micro-computer software companies, believes an equally severe reduction in job opportunities is possible. He suggests that perhaps 1m jobs will be lost in manufacturing industries by 1981 and another 1.25m in commerce. In addition, he suggests that around 3m people will be faced with a significant change in their jobs.

Mr. d'Agapayeff in common with Professor Christopher Freeman of the Science Policy Research Unit at Sussex University, believes the danger can only be averted by a wholehearted acceptance of the consequences of micro-processors and other miniature electronics.

Mr. d'Agapayeff says: "Unfortunately few British designers and even fewer of their managers appear to read up what their American contemporaries are doing or to consider what they might be going to do next."

He adds: "There is a peculiar British deficiency, or a form of intellectual snobbery which concentrates attention on clever, customised circuits at the expense of mass-produced market opportunities. Thus we have some very sophisticated radars but may end up importing even more washing machines and typewriters."

Mr. d'Agapayeff's view is echoed by that of Dr. Alfred Prommer a vice-president of Siemens, who told a recent seminar on the impact of micro-electronics on employment: "The changes will be dramatic and adjustments will cause severe problems."

Klatu the Robot with Mr. Anthony Reichelt, director of Quasar Industries, who is demonstrating its "servant serving" capabilities.

MEN AND MATTERS

New chairman for quiet market

The International CD Market Association is not a name on everybody's lips, but seeing that the London market in certificates of deposit totals no less than $22bn its new chairman has obviously a fair measure of clout. David Potter of Credit Suisse-White Weld, who is aged 34, told me that he had "grown up" with the market since it was "very small, a mere billion dollars or two" in 1968.

Since then it has developed quietly, you might say inexorably. But it is only in the past two years that the Association itself has again begun to become representative of the major factors in the market.

Before then, Potter explained, the vast majority of its members, had been London's traditional discount houses. Now, however, the "ethnic-geographic mix" is broader, with increasing participation of the investment banks and more commercially-oriented banks.

Potter told me that at first the Association had enforced tight rules on its members. Such rules had worried U.S. banks who feared they might be impeded from dealing with whomever they liked in whatever paper they chose. They were also fearful of anything which smacked of restrictive practice. Other sources say there was also a dispute over the margins then normal in Britain which were relatively high compared with those in New York.

Potter had been chairman of the Association's sub-committee concerned with broadening the Association and for the past two years has been dismantling anything which, he says, might have been seen as limiting freedom of the market.

Recently Bankers' Trust International, Kuhn Loeb Lehman Brothers and A. G. Becker have joined the Association. What about such major CD dealers as Salomon Brothers, Merrill Lynch and First Boston? I asked him. "They are actively considering joining us," he replied.

Heavy joke

Two tons of coins and 15,000 one-cruzeiro notes spell revenge, or did so in Brazil this week. Sr. Pulo Francisco, a school owner, became incensed when a local car dealer refused to accept his cheque for the equivalent of $4,446 for car repairs.

Setting out as if he were the standard bearer of all Brazilian cheque writers, he turned up the next day with the coins, 350,000 of them, and the notes. After three hours the car dealer had managed to count the equivalent of $13.84 — and faced the prospect of 41 24-hour days before finishing wading through the tiny coins. "We accept it with good grace," the dealers now say, sighing collectively. "It is obviously a joke."

Comradely chat

Edmund Dell and his eager colleagues at the Department of Trade might learn a thing or two from the new German-Russian foreign trade phrase book which has found its way to our hands. The 206-page book, which is to help East German negotiators, has an example or two which would hardly please our Ministers who are trying to persuade us our prices will stay stable.

Petrov: "I gather that your price has been raised 12 per cent. Based on the competitive offers we received we can only agree to a price increase of 8-9 per cent."

Kramer: "We have sounded out the main commodity markets. . . . We can also show you an offer from an English company."

The section on delivery dates has such standard phrases as "We will be unable to deliver a single machine in the first quarter"; that on delivery problems has a long dialogue on the freezing of the Black Sea and ore-loading difficulties at Murmansk.

That all does not always run smooth even between the best of comrades comes clear from the following:

"Your reasoning is unclear and unconvincing."

"These prices must be rejected as a basis for further negotiations."

"Our figures do not agree with yours."

"I cannot make any further concessions."

But still all's well that ends well, or at least ends with the toast translated "To the enduring and inviolable friendship between our peoples."

"Officially, yes—unofficially, no!"

FO's mini

It is not every day that Britain establishes a completely new embassy, so the decision by the Foreign Office to appoint our first ever ambassador to Gabon is something of a diplomatic milestone—especially in view of last year's report by Sir Kenneth Berrill's "Think Tank."

Until recently, Britain has taken only a modest interest in most of France's former colonies in West Africa, many of which are of limited economic and strategic significance and still accord a privileged position to their ties with Paris. Such relations as existed between the UK and Gabon have been handled through our embassy in neighbouring Cameroun. But Gabon's recent emergence as a newly rich oil exporter has prompted some rethinking in Whitehall. Politically, too, the country has acquired extra significance through its seat on the United Nations Security Council.

The new embassy will have only two diplomats and be modelled after the "mini-missions" which a number of smaller European countries have overseas. One question is whether such a post will be able to offer the consular services to which itinerant Britons have become accustomed. If it is a success, more mini-missions will follow.

The man chosen to become British Ambassador is Christopher Macrae. An able 41-year-old, he will be looking at Africa with a fresh eye. An expert on Arab affairs, he has spent the past two years seconded to the European Commission in Brussels, where he has worked on the Euro-Arab dialogue.

Old times' sake

My colleague B. R. Ackenhouse was wending his way along Kensington High Street yesterday when he came upon four people cheering a woman hard at work in the midst of a window display of vacuum cleaners. Her weapons? A dustpan and brush.

Observer

Brazil: headache after the miracle

By HUGH O'SHAUGHNESSY, in Sao Paulo

A LEADING opponent of the Brazilian military Government sighed: "It is very difficult to foresee the future in this country. We are either a step away from power or a step away from prison."

He had summed up the feeling of political and economic uncertainty which has invaded Brazil for the first time since the army seized power by a *coup d'etat* in 1964. With the rapid fading of the Brazilian economic miracle the Government of General Ernesto Geisel has in the *past few weeks* suffered such a series of reverses that many Brazilians, commentators, politicians and businessmen alike, are prophesying that a big shake up in the largest Latin American country cannot be long delayed.

For nearly a decade the military ruled Brazil with little effective challenge to their will. After the coup the armed forces and police moved quickly to stifle *political opposition*, the old parties were wound up, and two new artificial creations, Arena, a supposedly pro-military grouping, and the Brazilian Democratic Movement, or MDB a closely controlled "opposition" group, were created to maintain a somewhat empty semblance of continuing democracy in a carefully circumscribed Congress in Brasilia.

Faltering threat

Strikes were virtually banned and trade unions stripped of effective power while a faltering guerrilla threat was finally crushed by the end of the 1960s.

The early 1970s saw Brazil in the midst of a "miracle" with growth rates for a number of years in excess of 10 per cent per annum. For once in its republican history the country appeared to be living up to its national motto, "order and progress." Loans and investments poured into Brazil *from* the U.S., Europe, and Japan in a *greater atmosphere of euphoria* than ever generated by any *developing* country. Roads were cut across the jungle, floods of cars issued from the factories of Sao Paulo, the world's fastest growing city, the military bought quantities of arms, and Brazil flexed the muscles of its diplomatic influence from Moscow and Brussels to Pretoria and Santo Domingo.

The higher echelons of *Brazilian society enjoyed* an *undreamed of prosperity* though *very little of it trickled down* to poorer Brazilians. But with the oil crisis *of 1973* the economic picture was suddenly altered *for a* country which relied on imports for more than *three-quarters* of its petroleum. The increased oil bill placed *a considerable strain on the* balance of payments, which was *only* relieved by immense efforts to increase exports and *attract yet more foreign* capital. But now growth levels have fallen dramatically and popular discontent is increasingly being voiced.

In 1974 General Geisel took over the presidency for a five-year term pledging to nudge Brazil back towards democracy. "*Distensao*" or political and social detente was his watchword. Since then however the tide of concern has been lapping ever more insistently around the Planalto, the remote presidential palace in Brasilia as President Geisel has tried to carry out a very *delicate* political task.

Now with President Geisel's term nearly complete and as his chosen successor, General Joao Baptista Figueiredo, prepare to take over, the country seems suddenly plunged into a fit of uncertainty which has been deepened at a popular but none the less important level by Brazil's *undistinguished* showing so far in the World Cup.

In the economic field, last month saw a massive but strictly *orderly* revolt by tens of thousands of metal workers in Sao Paulo against the continuing erosion of their living standards. Inflation is moving towards 45 or 50 per cent a year and wages remain controlled by Government decree. Companies like Chrysler, Pirelli, Philips, Volkswagen and Mercedes, *unused to* demands from the workforce, were caught nearly *as unaware* as was the Government.

Eroded wages

Neither employers nor officials could dismiss the affair *as political agitation* because the strike leader, Sr. Luis Inacio *da Silva*, universally known as "Lula," was careful to keep radical students or Sao Paulo's fringe of communists and Trotskyites away from the stoppage. It was clear to all that the factory workers were not stopping work to do honour to Marx, Lenin, or anyone else, but because they were no longer prepared to tolerate a system in which real wages were constantly eroded by comparison with management salaries and company profits.

Although the Government eventually had the stoppage officially declared illegal it was shown to be powerless in the *face of the determination of the* Sao Paulo workers. One by one *the individual managements* are now coming to agreements with their workers and offering between 10 and 20 per cent above the Government authorised increments. It is difficult to see how Government labour legislation will ever have its old authority again. At the same time Lula and his supporters have shown that a strike does not necessarily mean red terror in the streets.

The second and political blow to the Government was also *delivered from Sao Paulo. Just* over a week ago delegates from *the branches of the normally* docile Arena from all over the state of *Sao Paulo* came together in the city to choose their candidate for State Governor. General Geisel had indicated that he wanted Sr. Laudo Natel, an experienced and utterly safe politician, to be ratified by the delegates. Instead, they chose a colourful and highly controversial figure of Lebanese extraction, Sr. Paulo Salim Maluf, whose previous forays into politics and the world of finance were part of local folklore.

Though a fire mysteriously broke out as the delegates' votes *were being counted Sr. Maluf* was declared the winner by a small but incontrovertible majority. This time the Government was faced not with a revolt of that sector of the population which might naturally be expected to oppose its policies but by a strong body of dissidents within the governing party in the most powerful and important state in the republic.

Brasilia now finds itself in an acute dilemma. "Given Sr. *Maluf's controversial* background it is impossible for *General Geisel to allow him to* take over the Sao Paulo *governorship. It is equally* unthinkable for him to disqualify a duly elected candidate," one local editor commented to me. The revolt of the Arena delegates is widely seen in Brazil as the clearest manifestation yet of popular weariness with a military Government whose *paternalism has become* all the more unacceptable as it is *shown to be faltering, fallible* and distant.

General Geisel's problems are now made worse by unmistakable signs of unrest within the armed forces. He has rarely consulted senior officers about major decisions, including the selection of General Figueiredo as next president. A number of middle ranking officers have in recent months been disciplined because of their public complaints about *Government* decisions, but that has evidently not *stilled military discontent*. Some dissidents claim that they are in *touch with one another* daily by military radio throughout the *country*.

A cordial handshake from President Geisel for his chosen successor, General Figueiredo, but the successor *remains controversial even among the military*.

But at army headquarters in Brasilia, familiarly known as Fort Apache, General Hugo Abreu, a *senior officer close to* General Geisel, is known to be extremely unhappy about the choice of a rough hewn cavalry officer like General Figueiredo. General Figueiredo's own remarks have appeared at times singularly ill-judged. In a recent Press interview for instance he referred to the inhabitants of the cattle lands of southern Brazil as "gigolos for cows." To add to General Geisel's headaches, the powerful Catholic Church is pressing for a better distribution of wealth. President Carter's insistent pressure for more respect for human rights together with his opposition to *Brazil's nuclear deal* with Germany (or any other facility which could help give the Brazilian military a nuclear *weapon) also weigh heavily on* him.

His only respite has been the inability of the opposition to agree on a candidate to oppose General Figueiredo in the presidential election to be held by the electoral college in Brasilia in November.

The MDB, *itself as* heterogenous a body as Arena, is *toying with two prospective* candidates: General Euler Bentes Monteiro, a retired officer reputedly of nationalist sympathies and hostile to excessive foreign control of the economy, and Senator Jose de Magalhaes Pinto, an aged but astute politician, formerly a pillar of Arena.

Small share

In the last instance, however, *the question of personalities* is secondary. General Geisel is *faced with a country of* 110m people who are showing clear *signs of being tired with the* military, and who want to tilt *the economic and political* balance away from the minori*ties that have so far enjoyed a* disproportionate share of the newly *generated wealth and in* favour of that majority that has been getting by on a *relatively* small share of the cake.

Since Brazil is the developing country with the largest outstanding foreign debt, currently estimated at around $35bn and where many western banks are very deeply committed indeed, any marked change of direction will be of more than local interest. In the coming months the eyes of many of the world's international bankers will be on General Geisel as he tries to steer a course between handing over power *to* his political opponents — a thing he does *not want to do — and putting* them in prison — a thing no *military government* in Brazil dares attempt any more.

Letters to the Editor

Tax on minding the baby

From Mrs. Jacqueline Riley

Sir,—I have been most interested to read recent reports of the attempts being made by a freelance lady journalist to obtain tax relief on the baby-sitting expenses she necessarily incurs in the cause of pursuing her career. As a working wife and mother, who necessarily employs a living-in nanny and a *once-a-week daily help*, I have long considered making a similar claim myself.

As matters stand I have to pay both my employees' wages out of income taxed at the highest marginal rate of income tax, and that income is again subject to tax and national insurance before it reaches their hands. Were I to give up my hard-won career, three more people would be added to the register of unemployed to become a charge on the state and the useful contribution which *I believe* I am making to society would be doubly lost.

The passing of legislation to ensure equality of opportunity and pay to women seems ludicrous when the financial, physical and social costs to married women wishing to make use of their education and to take advantage of the increasing opportunities now open to them is so enormously high.

If the presence *of a person to* mind the *telephone* in an office to *enable the* rest of the staff to pursue their duties is an allowable expense, then I can see no reason why the presence of a person to mind the baby for precisely the same reason should not also be an allowable expense.

Jacqueline Riley.
65, York Mansions,
Prince of Wales Drive, S.W.11.

Linguistic crutches

From Mr. J. L. McKeown.

Sir,—Mr. Duncan Neil Dewar's cry for a movement to kick away the conversational crutches of the masses (letters June 12), stimulates me to suggest that it is time for us linguistic paraplegics to stand up and be counted.

For too long we have accepted the role of second class speakers; brutally aware of our verbal incapacities and cruelly conscious of the curse of certain regional accents (mine being particularly nasal).

Speak out, fellow sufferers; who needs the Queen's English anyway?

J. L. McKeown.
66, Warstones Drive,
Penn, Wolverhampton.

Sewerage and water charges

From Mr. R. W. Thirkell.

Sir,—I was glad to see that Mr. Gilliland, director of finance of the Thames Water Authority, had written to you (*June 6*) following my letter (May 27) but did not find his letter in the least bit helpful. Whether or not the Thames Water *leaflet to* which I referred was untruthful may be a matter of opinion, but there is certainly no doubt as to whether it was *misleading*. As Mr. Gilliland's letter is also misleading for the *reasons* given below, one is forced to the conclusion that both the *leaflet* and the *letter* were *designed* to deceive the reader.

The figures I quoted in my letter (which Mr. Gilliland *apparently accepts as correct*) and calculations I have made relating to other London boroughs, lead to the conclusion that the average increase in charges for private dwellings for 1978-79 is probably of the order of 18 per cent for sewerage services and 16 per cent for water supply. Yet Mr. Gilliland quotes an average increase of 7.2 per cent and a Thames Water publication *refers* to *average increases of 4 per cent for sewerage services* and 10 per *cent for unmeasured* water supply and also mentions an increase in income of 7 per cent. I should be most grateful if the differences between the level of these figures and those I have produced could be explained.

Incidentally, in case it is thought that many householders will be paying less for their Thames Water services in 1978-79, may I point out that *for only* very few households indeed will the total *charges* have been reduced. For example, in the *Boroughs of Enfield and Camden* the rateable value needs to be above £1,212 and £2,000 respectively for a reduction in charges to take place.

R. W. Thirkell.
3, Clifton Road, N22.

Non-verbal language

From Mr. Clifford Jackson.

Sir,—May I write to commend Mr. Ron Campbell on his thoughtful and perceptive article, "The personality mix which makes for good teamwork" (June 7)? He makes several fundamental points *of* vital importance for ensuring the performance *of* British top management and, in so doing, demonstrates that the successful manager has developed an understanding of what psychologists have laboriously established by painstaking experiment.

For instance, he mentions the importance of "non-verbal cues" (such as pauses or *inflection in* speech, expression of face, gestures and *posture*) in communication between people. How many *errors* would be avoided if those who gave instructions *realised* that they need to check what interpretation the recipient has *put* upon what may seem perfectly plain and straight*forward* to the speaker? How many misunderstandings and even strikes could be averted if more managers made sure that those who were going to be affected by decisions understood the pros and cons of alternative courses of action, and the reasons for the course of action ultimately decided?

Incidentally, his mention of "non-verbal cues" draws attention to one of the skills which all who are faced with the task of selection would do well to study and to develop.

His differentiation between "No. 1s" and "No. 2s" should also be borne in mind during selection on first appointment or on promotion. The perspicacious manager and his consultant should consider possible changes in the organisation structure to make sure that company objectives are achieved without incurring inter-personal conflict between incompatibly placed "No. 1s" and "No. 2s."

Indeed, the task of the *selector* is to try to predict the performance of a given individual in a given work situation. The "work situation" includes *not* only the mental or physical tasks which need to be *performed*, but also the *interpersonal relationships* which need to be handled, and the *ambiance of individuals* who constitute the social mix within the company and its immediate environs of suppliers, customers and neighbours.

In my experience as an erstwhile industrial psychologist and managing director of a manufacturing company, I have noticed that an awareness of non-verbal cues and the interpretation of the attitudes and motivation which they reveal, both within the candidate and among those with whom he will *be most closely involved*, has a marked effect on the proportion *of successful placements*.

Clifford Jackson,
Director,
Paul R. Ray International.
23, Old Burlington Street, W1.

Board room politics

From Mr. B. A. Cole

Sir,—Mr. Webb-Bowen (June 9) castigates British top management for two alleged failings; being political time-servers, and not having introduced the two-tier board system. He offers no *evidence in support of either reproach*.

It might be expected that, as Managing Director of an Executive Search organisation, he would be aware of the large number of board appointments which are now made using outside consultancy services. It must surely be assumed that this represents an honest attempt to find the candidate *most* fitted for the job. A further large number of appointments *are* made by promoting successful senior managers from within companies. Why does Mr. Webb-Bowen assume that the latter have "generally . . . become conditioned not to rock the boat by introducing new ideas . . ."? In 23 years in industry, I have found *directors and managers generally* receptive to new ideas, if they can be shown to work.

As for the Germanic two-tier board system—(not "Continental": the Latin countries do not use them)—why is Mr. Webb-Bowen so convinced that this is the answer for the U.K., with our very different tradition? Why, for example, is this better than the U.S. system of more independent outside directors, with real power through *board committees*? He claims that: "*The advantage of the two-tier board* system is that it allows the shareholder to draw upon a wide spectrum of outside knowledge and experience by appointing to the supervisory board non-executive directors from outside." Shareholders in the UK, and even more in the U.S., do this now with a unitary board.

The two-tier board is, as he says, well adapted to absorb "worker directors," but he gives us no reason to think that this is beneficial. As for his suggestion that "the two-tier board system would in any case be imposed upon us by the EEC soon enough," since less than half the members of the EEC use the system, including only one of the "big four," this seems unlikely.

The danger of this sort of self-condemnatory outburst on behalf of British directors is that people may come to believe it. There is surely sufficient evidence to show that our society as a whole is sick, not just our economy or industry. Furthermore, this *is* not just a UK phenomenon: it affects virtually all the *developed* free world. Our industrial problems reflect the *problems* in society; they are no more the *fault of* managers than *of educators*, politicians and union organisers. No more—and probably no less, but it ill behoves a managing director to assume guilt on behalf of his fellows, whether or not he accepts a share of the guilt for himself.

B. A. Cole.
"Drake Wood,"
Devonshire Ave.,
Amersham, Bucks.

The number of unions

From the Chairman, Advisory, Conciliation and Arbitration Service

Sir,—May I make one brief point on Mr. Lyons' letter in your issue of June 9?

In dealing with trade union recognition claims a distinction has to be made between situations where only one union is making a claim and no other union is affected, and situations where a claim is being made by *a union to enter an existing* framework of negotiations embracing other unions. Mr. Lyons fails to make this distinction. This is the crux of the difference between us.

J. E. Mortimer.
Cleland House, Page Street, W1.

Commemorative issues

From Mr. W. F. Richardson

Sir,—It may be true, as your correspondent, *Mr. David G.* Thomas, states (June 3) that the *comparative failure of* mints issuing commemorative medals may be due to the poor design. I do not think that this is the sole reason, however.

In recent years, we have seen a spate of commemorative issues. And the same applies to stamps. The issuers have emphasised, only too often, the value of these as investments. They have quoted examples of the gold medal issues of a couple of *decades ago as examples of* appreciating items. What they have carefully ignored is the fact that these medals have appreciated in value, not because of their medallic interest, but because the price of gold, and to a lesser extent, silver, has risen in value.

It is true that a gold medal issued twenty years or so ago is now worth *several times* its issue price. But these can be *purchased virtually at the cost* of the gold content. Anyone *who purchased gold articles* at the same time will have done as well or better.

Even so, another factor usually ignored is that there are two prices—a buying price and a selling price, a 50 per cent difference is not unusual. Thus, to get his money back, a purchaser has to obtain a 50 per cent increase in nominal terms plus whatever depreciation reduces the unit value of the currency by. Prices have doubled in four years. A £100 purchase, therefore, made in 1974, sold today, would need to realise £300. And this ignores other expenses such as insurance.

Finally, when the Royal Mint perpetrates a confidence trick on collectors by issuing a proof silver jubilee crown, which could only be supplied after several months' wait, a year ago, and is still issuing it a year after the jubilee, who is going to trust it again? When is the issue going to cease? This year, next year, *sometime never*? Is it surprising that the public is becoming wary?

W. F. Richardson.
34 Queen's Drive, Fulwood, Preston, Lancs.

Today's Events

GENERAL

Balance of payments current account and overseas trade figures (May).

President Nicolae Ceausescu of Romania in Downing Street talks *with Mr. James Callaghan, Prime* Minister. This evening the President is guest of honour at City of London dinner, Guildhall, E.C.3.

Statement expected at European Parliament, Strasbourg, by Mr. Finn Olav Gundelach, EEC Agricultural and Fisheries Commissioner, on outcome of fisheries policy talks with Mr. John Silkin, UK *Minister of Agriculture*.

TUC economic committee meets.

OECD Ministerial Council two-*day session opens. Paris.*

GLC to consider plan to revitalise *London dockyards* with the creation of a 300-acre free trade zone for manufacturing exports.

Inter-Governmental Maritime Consultative Organisation conference of some 60 nations meet in London to discuss seamen's training and certification.

Further meeting between Fire Brigades Union and employers.

Fourth of seven fortnightly Indian gold auctions.

Publication of report of expenditure committee of National Land Fund.

Second day of international conference in Brussels to talk on economic aid to Zaire.

Sir Keith Joseph, Opposition Spokesman on Industry, is guest speaker at American Chamber of *Commerce luncheon, Savoy Hotel*, W.C.2, 1 pm.

Lord Thomson of Fleet at Press Association members' annual luncheon, Savoy Hotel, 1pm.

NALGO conference continues, Brighton.

Annual report of Sir David McNee, Commissioner, Metropolitan Police.

PARLIAMENTARY BUSINESS

House of Commons: Debate on Opposition motion on the economy.

House of Lords: Internationally Protected Persons Bill, third reading. Wales Bill, committee stage. Rating (Disabled Persons) Bill, second reading. Local Govern*ment (Amendment) Bill, second* reading.

Select Committees: *Expenditure*, Trade and Industry sub-committee. Subject: Measures to prevent collisions and strandings of noxious cargo carriers in waters around the UK. Witnesses: Oil Companies International Marine Forum, *International Chamber of* Shipping (10.30 am Room 16). Nationalised Industries, Sub-committee "B." Subject: Future of the electricity supply industry. Witness: Mr. David Penhaligon, MP (10.45 am Room 8). Unopposed Private Bill Committee on *Tamar Bridge Bill* (4 pm Room 9). Expenditure, Social Services and Employment Sub-committee, Subject: Employment and Training. Witnesses: Treasury, Department of Employment, Manpower Services Commission (4 pm Room 15). *Public Accountants. Subject:* Appropriation Accounts 1976-77. Witnesses: Department of Environment, Stationery Office (4 pm Room 16). Joint Committee on Consolidation etc., Bills, Further consideration of Statute Law (Repeals) Bill (*Lords*) (4.30 pm Room 4). Parliamentary Commissioner *for Administration* (Ombudsman). Subject: Parliamentary Commissioner for Administration (Review of Access and Administration). Witness: Sir Alan Marre, Commissioner for Local Administration in England (*5 pm Room 7*).

COMPANY RESULTS

Compair (*half year*), Robertsons Foods (*full year*), Westland *Aircraft (half-year)*.

COMPANY MEETINGS

See Page 23.

COMPANY NEWS + COMMENT

Pegler Hattersley slumps to £12.6m

PRE-TAX profits of Pegler-Hattersley for the 52 weeks to April 1, 1978, slumped to £12.58m compared with a peak of £18.16m for the previous 53 weeks, after a second half fall from £10.87m to £7.16m. Sales for the full period finished ahead at £86.83m against £80.19m.

At the halfway stage, directors said it was unlikely that the company would be able to repeat the previous year's record results. They now state that trading conditions deteriorated in 1977, particularly regarding steel valves, and that this market remains highly competitive.

At the beginning of the current year, order books are healthier overall, they add, and if the group can increase output, they say an improvement should result for 1978-79.

Pre-tax profits were struck after metal stock depreciation of £600,000 compared with £930,000 appreciation, and include lower associates' profits of £6.53m (£7.28m).

Before tax on ED 19 basis, of £4.91m (£6m) earnings are shown as 42.9p (61.9p) per 25p share and 26.1p (41.5p) after the same. A final dividend payment of 4.535p net lifts the total from 6.881p to 7.685p

The group manufactures domestic plumbing and heating fittings; industrial valves and general industrial products.

	52 wks. 1977-78 £000	53 wks. 1976-77 £000
Sales	86,823	80,159
Trading profit	6,737	9,720
Share of associates	6,530	7,281
Interest paid	106	*194
Metal stock deprec.	608	930
Profit before tax	12,581	18,155
Tax	4,912	5,998
Net profit	7,669	12,157
Dividends	2,256	2,020
Retained	5,413	10,137

* Received † Appreciation.

See Lex

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Better start for Rugby Portland

The annual meeting of Rugby Portland Cement Company was told that so far in 1978 deliveries of cement in the UK were higher for the first time since 1973. These figures showed an increase on the corresponding weeks of the previous year.

If the rate of ACT is reduced, the directors intend to increase the interim dividend declared on April 17. Similarly if the scheme of reorganisation comes into effect the special participating (non-voting) dividend would be increased.

In addition, in absence of unforeseen circumstances, and subject, if appropriate, to Treasury consent, the board would take account of the ACT rate reduction by recommending a higher final dividend in respect of 1978 in place of the forecast final of 2.062p

Fine Art set for more growth

With enhanced facilities at Fine Art Developments, Mr. F. R. Kerry, the chairman, says in his annual statement that he feels the group is well placed to take advantage of any upturn in consumer demand and is optimistic that targets for increased sales and profits both at home and overseas will be met.

As reported on May 24, pre-tax profits climbed by 30 per cent to a record £4.72m, on sales of £41.87m against £33.38m. Earnings were 4.863p (4.415p) per 5p share, or without provision for deferred tax, 9.043p (6.953p). The dividend total is 1.8348p (1.2012p) net.

A statement of source and application of funds shows that short-term funds increased by £776,864 (£1,033,374 decrease) at the year end.

In the UK, the group's mail order companies and those supplying the wholesale and retail markets achieved similar sales growth during the year, with the mail order companies continuing to account for the major proportion of group turnover.

Members are told that Raphael Tuck and Sons is now experiencing the full benefit of the move to Blackpool, while work commenced in autumn, 1977, on the erection of a new factory adjoining the existing Accrington premises, which it is anticipated will be completed by the end of 1979.

The cost of this development will be some £3m, but after Government grants and tax relief, the net cost will be about £2.5m to be met from the proceeds of the recent rights issue and retained profits.

An extension to the Preston premises, costing some £0.4m, is nearing completion and this again will contribute to the increased efficiency of the group, the chairman states.

During the year, overseas subsidiaries continued to expand businesses with sales increasing 35 per cent to £3.5m. Mr. Kerry explains that although they are operating at a trading profit, it was not sufficient to cover the financial costs of properties purchased with local borrowings.

However, the directors' confidence in these companies remains and they expect that in the current year overseas operations will earn taxable profits.

Brownlee down to £765,000

TURNOVER FOR the year to March 25, 1978, of Brownlee and Co., the Glasgow-based group of timber merchants, rose from £18.17m to £19.04m, but pre-tax profits fell from £1.38m to £765,000 with £318,000, against £816,000, coming in the first 24 weeks.

Full-year earnings are shown at 5.2p (9.8p) per 25p share. The final dividend is 1.76981p net for a maximum permitted 2.26981p (2.05577p) total.

The directors state that no appreciable improvement in the public sector of the construction industry seems likely but the prospects for private housebuilders are better and the demand for the requirements of home improvements and modernisation will continue to increase.

The company, with its distribution network and extension of range of products, is well placed to take advantage of these growth areas, they add.

LONSDALE UNIVERSAL

The directors of Lonsdale Universal announce that with the exception of £1,200 of 8 per cent convertible unsecured loan stock 1982 repaid at par, all other loan stock has been converted into Ordinary shares in accordance with the terms of issue.

As a result 95,538 Ordinary shares of 25p have been issued against conversion, representing £23,890 Ordinary share capital. Together with recent allotments under the employees' share option scheme, the total issued Ordinary is now £1,753,933.

Siemssen profits swing

THE CONTRIBUTION to profits from operations other than tobacco at Siemssen Hunter should for the first time amount to more than 50 per cent of the group as a whole in 1978, says Mr. Roy Siemssen, the chairman, in his annual statement.

In January the group acquired Seymour Press Group, a publishing concern which also operates a number of London hotel bookstalls under News Kiosks. Results of Seymour were not included in the group's 1977 figures but the chairman says that turnover and profits are "running in line with expectations."

The acquisition was a result of directors "actively considering further investment opportunities outside the tobacco field."

Pre-tax profits for 1977 rose from £614,531 to £814,082, as reported on April 26. Trading profits were ahead from £562,134 to £703,026

Mr. Siemssen says that all his forecasts for the year were achieved except in the case of Autobooks where despite a good start to the year, the final outcome was disappointing. Every effort is being made to reverse the present trend, but he feels it is doubtful that this can be achieved in one year.

● comment

Despite Siemssen's efforts to reduce its dependence on the tobacco industry the full report reveals that tobacco was the driving force last year. Trading profits from tobacco interests are higher by 35 per cent at £420,000 against an advance of just 12½ per cent to £282,000 from publishing. Cigars continued to show volume gains and Siemssen has been able to improve its profit margins. Meantime publishing has been held back by Autobooks. Competition in the UK has hit profits and the U.S. venture (started in 1977) is not living up to expectations. Fortunately EP Group has shown all-round growth, particularly from its microfilming, and Lombard Vending turned round into the black, together making up for the setback at Autobooks. This year the Seymour acquisition (magazine distribution) will make an impact. After interest Seymour could chip in £330,000 pre-tax which will swing the balance in favour of non-tobacco interests. Cigars are still registering growth and overall a pre-tax profit of over £1.2m this year looks likely. Meantime the acquisition will leave net debt around £1.3m against tangible shareholders' funds of £2.3m. At 60p the shares yield 7 per cent.

Freddie Mansfield

Lord Robens, chairman of Johnson Matthey and Company—final quarter profit fell from £6.95m to £5.5m for a £18.87m (£21.02m) total.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
British Tar	1.3	Aug. 10	1.44	1.8	1.62
Brownlee and Co.	1.77	—	1.53	2.27	2.06
Corn Exchange int.	1.1	July 28	0.98	—	2
Doornfontein¶	30	Aug. 8	10	50	15
East Driefontein¶ int.	40	Aug. 8	33	—	78
GEI	2.69	July 20	2.41	4.15	3.72
Johnson Matthey	7.62	—	7.19	13.62	12.3
Kloof¶	25	Aug. 8	13	40	30
Libanon¶	60	Aug. 8	40	100	45
Pegler-Hattersley	4.54	Aug. 14	4.03	7.69	6.88
Record Ridgway int.	2†	Oct. 2	1.5	—	4.5
Rowton Hotels	3.81§	—	3.41	6.26	5.66
Sketchley	2.94	July 7	2.85	4.69	4.24
Venterspost¶	20	Aug. 8	5	23	5
West Driefontein¶	250	Aug. 8	145	385	280

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Increased to reduce disparity with final. § Board amendment to previously announced final. ¶ South African cents throughout.

Record Ridgway falls by 19% at six months

With export margins depressed by the appreciation of sterling, and the fall in UK inflation leading to a cutback in "stock profits," pre-tax profits of Record Ridgway, the hand tool manufacturing concern, fell by 19 per cent from £1.07m to £0.86m in the six months to April 2, 1978. Turnover was 14 per cent higher at £9.96m against £8.75m.

With no tax charge this time compared with £213,000 net profits are little changed at £860,000 (£853,000) and after exchange losses of £42,000 (£26,000) earnings are shown at 8.1p (8.95p) per 25p share.

Mr. A. B. Hampton, the chairman, tells holders that the level of finished stocks has been increased. This has improved availability and balance of products enabling the group to give better service to customers at home and overseas. Strenuous efforts are being made to stimulate overseas demand.

Second half performance is likely to reflect the difficult trading conditions and the full year profit is expected to be generally in line with the interim results. For all 1976-77 a record £2.41m was achieved.

In order to achieve a more equal distribution between interim and final dividend, the interim dividend is to be increased from 1.5p net to 2p per share. Notwithstanding the results anticipated for the current year, the directors have every confidence in the future and intend to recommend an increase of 10 per cent in the dividend for the year making a total of 4.95p (4.5p).

	Six months 1977-78 £000	Six months 1976-77 £000	Year 1976-77 £000
Turnover	9,937	8,745	17,794
Trading surplus	892	1,066	2,473
Interest	32	20	63
Profit before tax	860	1,066	2,410
Tax	—	213	326
Net profit	860	853	1,884
Exchange losses	42	26	60
Extraordinary gain	—	24	24
Minority loss	4	†11	6
Attributable	822	849	1,922
Dividend	223	134	408
Retained	599	706	1,335

† Profit.

At Record Ridgway Tools, contracts for the financing and construction of the new foundry in Sheffield have been signed and construction is now under way.

In other group companies there have been mixed results. The development programme at Platts Forgings is well under way, but the disruptions caused by the changeover to new plant have significantly reduced its contribution. The South African company has made an excellent recovery despite the unsettled economic and political climate.

In Canada the volume of sales has been increased, but margins have been affected by both the strength of sterling and the weakness of the Canadian dollar. The Australian subsidiary, however, suffered a setback, partly due to the depressed economic conditions and partly due to the disruptions and additional costs incurred by the move of the small Sydney operation to new premises.

● comment

Like Spear and Jackson, which reported a month ago, Record Ridgway has tripped up badly in the final quarter of 1977 with the stronger pound and a significant fall in stock profits largely to blame. While the effect on Spear is buried in its annual figures, Ridgway's interim results show a 19 per cent earnings setback and a fall of 3.5 points in trading margins to 12.4 per cent. The fall in the rate of UK inflation has also led to a reduction of some 30 per cent in stock profits. And although sterling has since declined, prospects for the current half-year are not any brighter. With second-half pre-tax profits expected to be in line with those reported, full-year earnings could amount to £1.7m against £2.4m in 1976/77. At 73p yesterday, the shares give a prospective yield of 10.6 per cent and a p.e. of 9.6 on a full tax charge.

IN BRIEF

BANK OF IRELAND—Results for 1977 reported in full preliminary statement on May 18. Current assets £2.08bn (£1.68bn), current liabilities £1.96bn (£1.61bn). Increase in advances to customers, other banking assets and liabilities of £362.5m (£232.2m). Meeting, Dublin, July 5, noon. [illegible]

CAMBRIAN AND GENERAL SECURITIES—Gross income for six months to March 31, 1978, £161,767 (£151,564). Deb. and loan interest £2,122 (£2,530). Bank and dollar loan interest £33,734 (£29,728). Admin. expenses £11,456 (£9,683). Directors' fees £1,250 (£1,250). Tax £44,950 (£39,367). Net revenue £67,576 (£71,790). Valuation investments (including deposits) £5.44m (£4.42m). Net assets value per 25p ordinary 105.8p (94.2p). As known interim dividend 1.5p per share (1.25p).

LONDON TRUST COMPANY—Results to March 31, 1978, reported May 16. UK quoted investments £40.38m (£35.09m), overseas £21.38m (£11.15m). Unquoted UK £4.1m (£2.54m), overseas £124,044 (£219,750). Net current liabilities £5.35m (£6.73m assets). Decrease in liquidity for year £11.73m (£3.62m increase). Meeting, Connaught Rooms, WC, July 5, at noon.

VBM GROUP—Results to February 28, 1978, reported June 2, with comments on prospects. Fixed assets £20.95m (£21.34m), net current assets £24.29m (£19.55m). At May 15 Equity Capital for Industry owned 11.2 per cent of shares. Meeting, Bristol, July 6, at noon.

Johnson Matthey slips to £18.9m

AFTER £10.02m against £9.14m at midway and £13.37m against £14.03m at the nine-month stage, pre-tax profits of Johnson Matthey and Co. finished the year to March 31, 1978, at £18.87m compared with £21.02m. Sales, excluding Johnson Matthey Bankers, expanded from £370.39m to £427.01m.

Tax takes £9.84m (£10.53m), minorities £207,000 (£84,000) and there was an exchange loss of £1.79m compared with a gain of £2.25m leaving the attributable balance at £7.03m against £12.65m.

Earnings are shown to be down from 61.3p to 51.9p per £1 share. The dividend total is lifted from 12.3034p to 13.6183p net with a final of 7.6183p.

	1977-78 £000	1976-77 £000
Sales*	427,012	370,388
Profit before tax	18,865	21,015
UK tax	5,848	6,374
Overseas tax	3,273	2,982
Associates tax	723	1,179
Net profit	9,021	10,480
To minorities	207	84
Exchange loss	1,789	†2,248
Attributable	7,025	12,653
Preference dividends	16	10
Add dividend for '76-77	18	—
Interim Ordinary	1,018	848
Proposed final	1,292	1,221
Retained	4,686	10,574

* Excluding Johnson Matthey Bankers. † Gain.

At the year end total net assets stood at £150.86m (£141.61m) with fixed assets at £34.08m (£28.18m), investments at £10.88m (£14.98m), base stocks at £28.28m (£21.9m), and net current assets at £77.63m (£76.57m).

The figures include the group share of associated companies profits and for the first time the full results of Johnson Matthey and Mallory, formerly an associate, acquired during the year.

The directors have revalued the precious metal stocks in Johnson Matthey and Mallory which has led to £3.01m being deducted from group reserves. At March 31, 1978 the market value of this stock was £3.29m higher than the base value used in the accounts.

Base stocks of precious metals are valued at base prices plus attributable tax. If market prices had been used the amount on the balance sheet would have been higher by £31.34m (higher by £25.94m).

The group operates as precious metal refiners, bankers, chemical manufacturers, metal fabricators and producers of ceramic colours, pigments and decorative transfers.

See Lex

Laganvale Estates' loss

Laganvale Estates of Dublin incurred a loss of £17,774 in the half year ended October 31, 1977, compared with an adjusted profit figure of £46,229 in the corresponding period last year. Loss per 10p share is shown as 2.24p (0.01p adjusted).

Turnover for the half year amounted to £311,403 against £227,113. The loss was struck before interest and charges of £15,726 (£37,232).

The arrangement made between the group and its major creditor was completed on April 5 this year.

The amount written off by this creditor—£323,141—has been transferred to capital reserve, and this adjustment will be reflected in the 1977-78 accounts.

The directors say further sales of properties have taken place which together with amounts received by capital reserve have reduced borrowings to about £400,000. Income from remaining properties should substantially cover finance charges during year to April 30, 1979.

Progress at Cadbury Ireland

Mr. R. A. Sellers, the chairman of Cadbury Ireland, a member of the Cadbury Schweppes Group, says that the Irish economy appears to be making progress in 1978 and that the company's performance to date reflects both this trend and the benefits of its own input in previous years.

He tells members in his annual statement that as a result of measures taken, the company is now steadily moving towards becoming a more efficient and well equipped unit, capable of operating in more competitive conditions. And it faces the future with confidence.

As already known pre-tax profits for 1977 rose from £1.47m to £2.49m on turnover up nearly £10m to £49m.

The company more than maintained its share of the chocolate market, which continues to be the most important sector of its business. Mr. Sellers says Cadbury also maintained or improved its position in virtually every other market it operates in.

Export sales reached a record £28m for 1977, and the continuing development of this business, he says, is essential for the satisfactory growth of the company.

There was an increase in net liquid funds at the year-end of £1.76m against a decrease of £2.92m.

Disappointing start for Stylo Shoes

Trade in the first two months of the current year at Stylo Shoes has been disappointing but Mr. Arnold Ziff, the chairman, says he trusts that the additional money going into circulation following the Budget tax reductions will cause an uplift in the retail trade.

He says the recent increase in the bank lending rate will adversely affect profits of Stylo Barratt Properties, although much of the capital used is on fixed interest and not subject to money market fluctuations.

A valuation of properties last year threw up a £5.55m surplus on freehold and long leasehold properties which has been incorporated in accounts. A £5.3m surplus on short leaseholds has not been included.

At the January 28, 1978, balance date fixed assets were £19.34m (£13.28m) and net current assets £1.91m (£0.6m).

As previously reported profit before tax for the year was £0.95m (£0.7m).

£2.2m rights and record results from Sketchley

RECORD ANNUAL sales and profits together with a £2.19m rights issue on the basis of one for five at 92p per 25p share are announced by Sketchley, the industrial workwear, dry cleaning and textile finishing group.

Pre-tax profits rose 62.5 per cent. in the year to March 31, 1978 from £2.25m to £3.66m on sales 19.6 per cent higher at £33.65m. Stated earnings per share increased from 7.8p to 13.4p.

A final dividend of 2.93983p per share (2.84887p) is recommended making a total of 4.68983p (4.24271p) the maximum permitted.

Outlining the reasons for the rights issue, Mr. Gerald Wightman, the chairman, says the industrial services division has maintained the growth of recent years and now accounts for 54 per cent. of profits.

In the three years ended March, 1978, the division has invested over £11m in workwear for rental and, in addition, the group has invested nearly £6m in buildings, plant and machinery.

	1977-78 £000	1976-77 £000
Sales	33,653	28,137
Industrial services	11,256	8,674
Cleaning	17,792	15,850
Textiles	4,605	3,913
Depreciation	1,284	1,098
Trading profit	3,932	2,467
Industrial services	2,132	1,301
Cleaning	1,601	1,224
Textiles	67	*32
Non-trading props.	132	84
Interest	189	213
Pre-tax profit	3,663	2,254
Tax†	1,975	1,250
Net profit	1,688	974
To minorities	6	—
Extraordinary credit	185	*30
Attributable	1,867	[illegible]
Preference dividend	6	6
Interim ordinary	224	168
Proposed final	367	‡356
Retained	1,260	404

* Loss. † If ED19 were adopted charge would fall to £271,000 (£218,000) and earnings would increase to 27.1p (16.3p). ‡ Includes £5,000 for 0.04394p supplemental dividend for 1976-77

The board believes there is continuing scope for profitable growth in this section and therefore considers that the permanent capital base should be broadened in order to maintain a steady rate of fixed capital investment and to support the increased working capital requirements.

Referring to the increased profits Mr. Wightman says that the UK overall service, which forms the major part of the industrial services division, has been working at the limits of its capacity but the new factory at Basingstoke is now operational and as forecast in the interim statement margins have returned to more normal levels.

Last year's changeable weather coupled with increasing consumer spending power was good for dry cleaning and the cleaning division achieved a satisfactory improvement in sales and margins.

The results for the textile division are disappointing but very much better than they would have been if the extensive reorganisation had not been put through during the last two years. The UK textile industry is still heavily depressed and the division remains poised to take advantage of any upturn.

Sales of all divisions for the first two months of the current year are ahead of last year and in line with expectations.

The directors expect to recommend a net dividend of 5.412p per share for 1977-78 on capital as increased by the rights issue. The issue has been underwritten by Samuel Montagu and Co. and brokers to the issue are L. Messel and Co.

● comment

Sketchley's 62.5 per cent pre-tax profit growth is largely due to the jump in margins achieved by the industrial services division. During the 1977-78 year that division's gross margin was 18.9 per cent compared with a normal 15 per cent. The increase was achieved by operating factories beyond normal capacity. Margins will drop back in the current year but higher revenues should ensure continued growth in profits. In 1977-78 it contributed 54 per cent of profits but only 33.4 per cent of turnover.

Margins in the cleaning division rose from 7.9 per cent to 9 per cent reflecting the impact of a new range of services. A 7.8 per cent overall price increase for the dry cleaning business from April 1 should help results in the first half of the current year but as half of dry cleaning expenses is due to labour costs the increase in the National Insurance contribution from October could dent margins. The textile division recorded a small profit compared with last year's small loss. The cash from the rights issue has been earmarked for the medium term expansion of the industrial services division. It is a high capital consumption sector but directors see it as the major group growth area over the next few years. The share price closed 6p up at 121p giving a current yield of 6.0 per cent and a p/e of 8.8.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims—CompAir, Flexello Castors and Wheels, Nottingham Brick, United States and General Trust Corporation, Westland Aircraft.

Finals—Alliance Investment, Allied Retailers, Avenue Close, British Cinematograph Theatres, Cockvedge, Continuous Stationery, Country and New Town Properties, Ch Coldrel Foucard Harcros Investment Trust, London and Overseas Freighters, McNeill, Robertson Foods, Staveley Industries, Tridant Group Printers, Warren Plantations, Wheway Watson.

FUTURE DATES

Interims—	
Estates and Agency	June 21
French (Thomas)	June 22
Lee (Arthur)	June 22
S. African Land and Exploration	July 20
Vaal Reefs Exploration and Mining	July 20
Western Deep Levels	July 20
Finals—	
Airfix Industries	July 19
Allied Plant	June 19
Amber Industrial	June 15
Attwood Garages	June 20
Brent Walker	June 16
British and Commonwlth. Shipping	June 15
Caledonia Investments	June 15
Common Market Trust	July 21
Crosby Spring Interiors	June 15
Fobro	June 22
Equity Consort Investment Trust	June 27
Henderson-Kenton	July 3
Norcros	June 22

GEI jumps 34% to £5.55m

A JUMP of 34 per cent to £5.55m in pre-tax profits is reported by GEI International for the March 31, 1978, year on turnover up by 28 per cent to £50.48m.

At the interim stage directors reported profits ahead from £1.5m to £2.07m and were confident that the full-years profit would exceed those of the 1976-77 year.

Stated yearly earnings per 20p share are 10.6p (7.8p) basic, and 9.8p (7.4p) fully diluted. The dividend is stepped up to 4.152p (3.715p) with a net final payment of 2.694p.

All divisions turned in higher profits and Mr. Thomas Kenny, chairman, points out that the improvement came without the help of further acquisitions. He says that the group "always has plans for acquisitions," but there was "nothing in the pipeline at the moment."

The financail condition of GEI continues strong, with net cash balances up £0.7m to £4.7m at the year end.

Net assets advanced from £18.75m to £22.91m and net current assets increased by £1.44m to £13m.

Expenditure during the year on new machinery and buildings exceeded £3m, bringing the total spent in six years to £10m. Capital expenditure for the current year is expected to be £1.7m.

	1977-78 £	1976-77 £
Turnover	50,480,264	39,5[illegible]9,282
Profit before tax	5,552,286	4,134,630
Tax	2,833,757	2,129,414
Net profit	2,718,529	2,005,216
Interim dividend	376,136	335,314
Final dividend	[illegible]	618,568
Retained	1,645,736	1,051,284

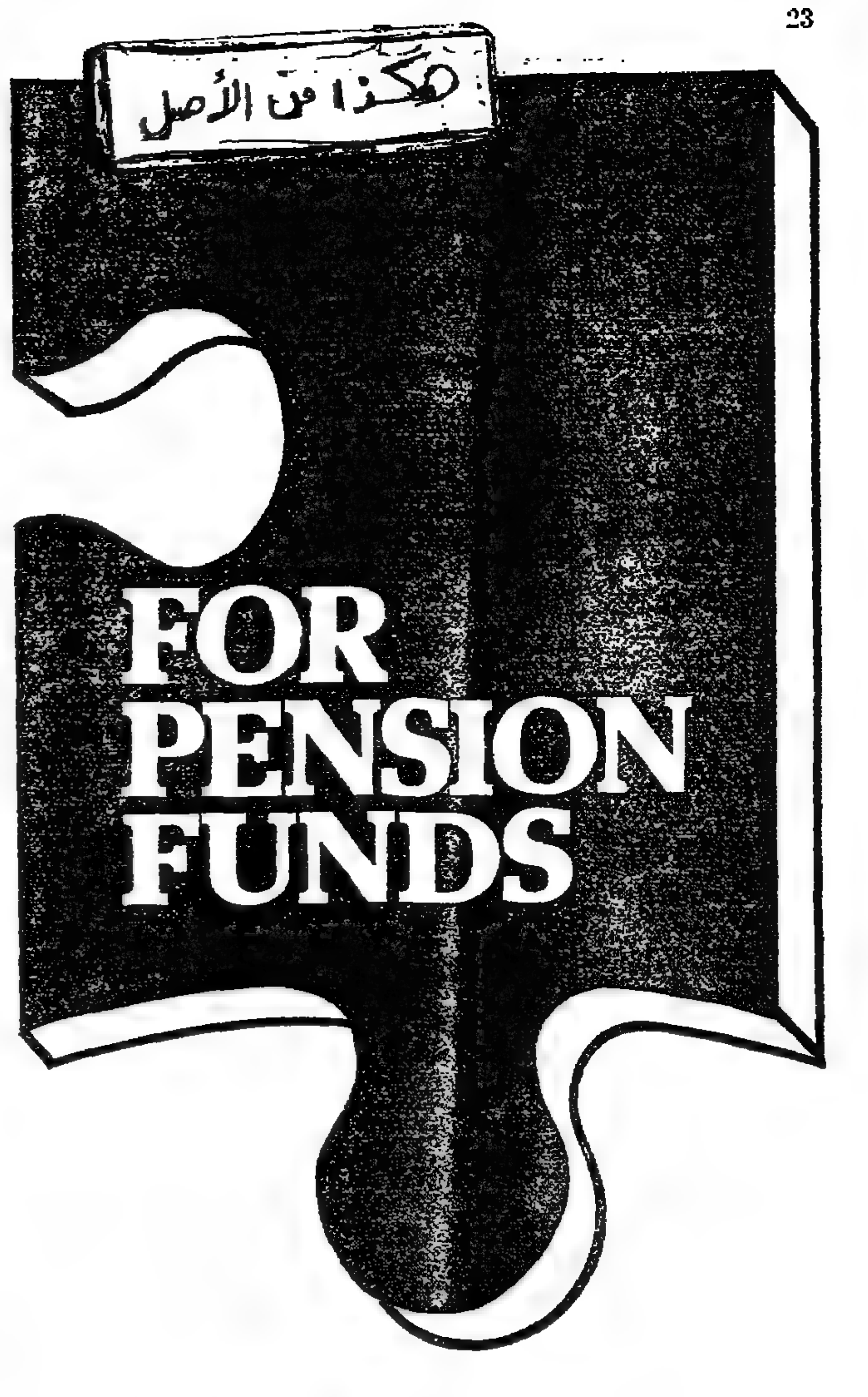
Net profit came out at £2.72m against £2.01m after tax of £2.83m compared with £2.13m, which was split as to the amount payable £1.63m (£0.93m) and £1.2m (£1.29m) attributable to stock relief and capital expenditure transferred to revenue reserves.

As at March 31 group reserves stood at £8.79m (£6.26m): £6.26m (£8.53m) at the beginning of the year, plus retained profit £1.65m (£1.05m); deferred tax £1.2m (£1.29m) which is not now required in respect of year: £0.25m (nil) revaluation of properties: £0.11m change of basis of stock valuation last time: less goodwill £0.58m (£2.73m).

GEI is an international engineering group.

● comment

Capital spending at GEI International is really beginning to pay off now and increased profits have been achieved in all the group's main activities. A further £3m was spent last year and this particularly helped margins in the Midland Steel products division, which showed the most dramatic improvement. Buoyant export markets for earth moving equipment more than made up for some slack in home demand for wheels and rims. Sales volume and profits were both ahead in the bright steel division and, given recession in the steel industry, this is probably the most impressive performance. The group has captured additional markets here thanks to new equipment capable of producing specialised steel bars. There are signs, however, that growth in this division is tailing off in the current year. Meanwhile Tobenoil, GEI's packaging outfit, has doubled its profits to more than £1m two years after acquisition and only the special products division failed to record more than a modest profits growth. With cash in hand approaching £5m GEI could be looking around for further acquisitions. At 82p the shares, standing on a p e of 7½ and yielding just under 8 per cent, are still a good buy.



Confidence at Minster Assets

IN HIS annual statement Mr. A. R. McGibbon, the chairman of Minster Assets says he has little doubt that the group will continue to prosper.

An encouraging feature of the current year is that throughout the adverse winter period British Midland Airways had no need of the normal seasonal borrowing facility from its parent. Given tolerably stable conditions Mr. McGibbon expects BMA again to give a good account of itself, though it would be optimistic to expect a repetition of the 1977 profit level.

At Minster Trust the finance department is very busy and the chairman feels confident that Bradville, the Bradford-based motor accessory manufacturer has a bright future.

The group has written down its North Sea oil exploration expenditure to a nominal figure. This is because the consortium of which the group is a part has drilled the obligatory number of wells under the terms of its various licences without making a commercial discovery. However there are several potentially interesting structures in the retained acreage which may well be drilled in the future, says the chairman.

Mr. Donald Pearce, the chairman of the group's insurance broking and underwriting subsidiary, Robert Bradford (Holdings) says in his statement that the 60 per cent owned Minster Insurance Group (of which he is also chairman) is devoting much of its time and money to broaden the base its underwriting operations both at home and overseas. He has every confidence that the development now taking place will have considerable benefit to the group in future years.

The Lloyd's underwriting agencies achieved a record profit of just over £1m in 1977. The closed year brought into account was 1975 which was profitable in varying degrees for all the nine Syndicates managed at Lloyd's and an equally good outcome for the 1976 underwriting year is expected.

The current year has started well for the insurance broking companies and a broadly similar result to last year's satisfactory outcome is anticipated.

As reported on May 26, pretax profits of Minster Assets rose from £7.22m to £7.60m with an underwriting loss of £2.23m against £90,113 being offset by BMA which contributed £1.47m compared with £44,863.

At the year end there was an increase in net liquid funds of £1.36m (£0.57m decrease).

Meeting, Savoy Hotel, WC on July 7 at noon. Robert Bradford meeting, Arthur Street, EC, on July 7 at 10 am.

Today's company meetings

Black and Edgington, 21, Tothill Street, S.W.1, 12. Britannia Arrow, Great Eastern Hotel, E.C., 12. Burrell, Great Eastern Hotel, 11. Charge Wares, Great Eastern Hotel, 12. Duport, Birmingham, 12.30. FPA Construction, Sheffield, 12. Andrew R. Findlay, Glasgow, 12. Hawtin, Blackpool, 2.30. Jessel Toynbee, 30, Cornhill, E.C., 3.30. John Mowlem, Brentford, 11. Office and Electronic Machines, Tower Hotel, E., 12. Shiloh Spinners, Roydon, 11.30.

S&P extends service

The Save and Prosper Group has extended its investment management services to self-administered company pension schemes by launching a Managed Pension Fund Contract, linked to its Company Pension Fund.

The group already offers investment management services to pension funds in the various investment media through the Equity Pension Fund, the Property Pension Fund, the Gilt Pension Fund, and the Deposit Pension Fund. But this meant that the trustees had to decide for themselves the mix of equities, property and fixed-interest. The group had discovered that most clients wanted S and P to advise on the mix—an experience which all management groups have found—and therefore it is now offering a complete investment service.

The underlying investment fund—the Company Pension Fund—is a managed fund investing in units of the other four pension funds. Up to now investment in this fund has been confined to the group's own pension scheme for executives and the self-employed. Now it is available to company pension schemes. At the year-end on March 5, 1978, this fund was invested 41 per cent gilts, 29 per cent equities, 20 per cent property and 9 per cent liquid. The value of the fund at the year-end was £2m.

British Tar advances to peak £1.24m

WITH A rise from £568,739 to £865,938 in the second half, pretax profits of British Tar Products reached a record £1,238,940 for the year to March 31, 1978, compared with £1,007,975 last time. A rights issue of 1.45m ordinary shares to raise about £620,000 is also announced.

The directors report conditions in those sectors of the chemical industry in which the company operates have not been good. However, results reflect the steady progress of the company and, while they say it is too early to make a profit forecast for the current year, levels of activity for the group as a whole are encouraging.

Turnover advanced by £1.33m to £15.33m and after tax of £631,332 (£525,112) and a minority loss of £8,227 (nil), attributable profit improved from £482,863 to £615,835. Stated earnings are 5.6p (4.6p) per 10p share and a final dividend of 1.304p raises the total payment from 1.61603p to 1.804p net, costing £210,343 (£160,486)—for the current year the directors forecast a total of 2.075p net (3.143p gross) on increased capital and should ACT be reduced then they intend to maintain the gross level.

The rights issue is on the basis of one new share at 45p each for every 11 ordinary or the equivalent in convertible loan stock then held. The issue has been underwritten by S. G. Warburg and Co. and the brokers are Cazenove and Co. Details will be posted on June 16.

In the current year, the company plans to invest a total of some £800,000 in new plant and machinery at its present sites and it is considered appropriate to finance this investment programme principally through an issue of ordinary share capital. The net proceeds of the issue will be applied in the first instance in reducing short-term borrowings, facilities for which will remain available.

The board considers that, taking account of available loan and bank overdraft facilities, the group has sufficient working capital for its present requirements.

Empire Stores sales growing in real terms

Sales at Empire Stores (Bradford) are continuing to beat the rate of inflation by a few points and this pattern is likely to continue in succeeding months, Mr. C. T. Wells, the chairman, told the AGM.

Although constantly hearing of a consumer boom being just around the corner, there were few signs of this in retail business, he said. The directors believe there will be an upward trend in retail sales in the autumn and Christmas season but it was extremely difficult to project too far ahead. Even so the company is ready for such an uplift.

If the tax rate is reduced a small additional dividend will be paid. However, he added, that as a result of action taken about increasing payments as a result of rights issues in 1975 and 1977 he did not think there was much leeway to be made up when dividend controls were relaxed but the company will continue to ensure that, subject to its financial requirements, dividend growth keeps pace with increasing profits.

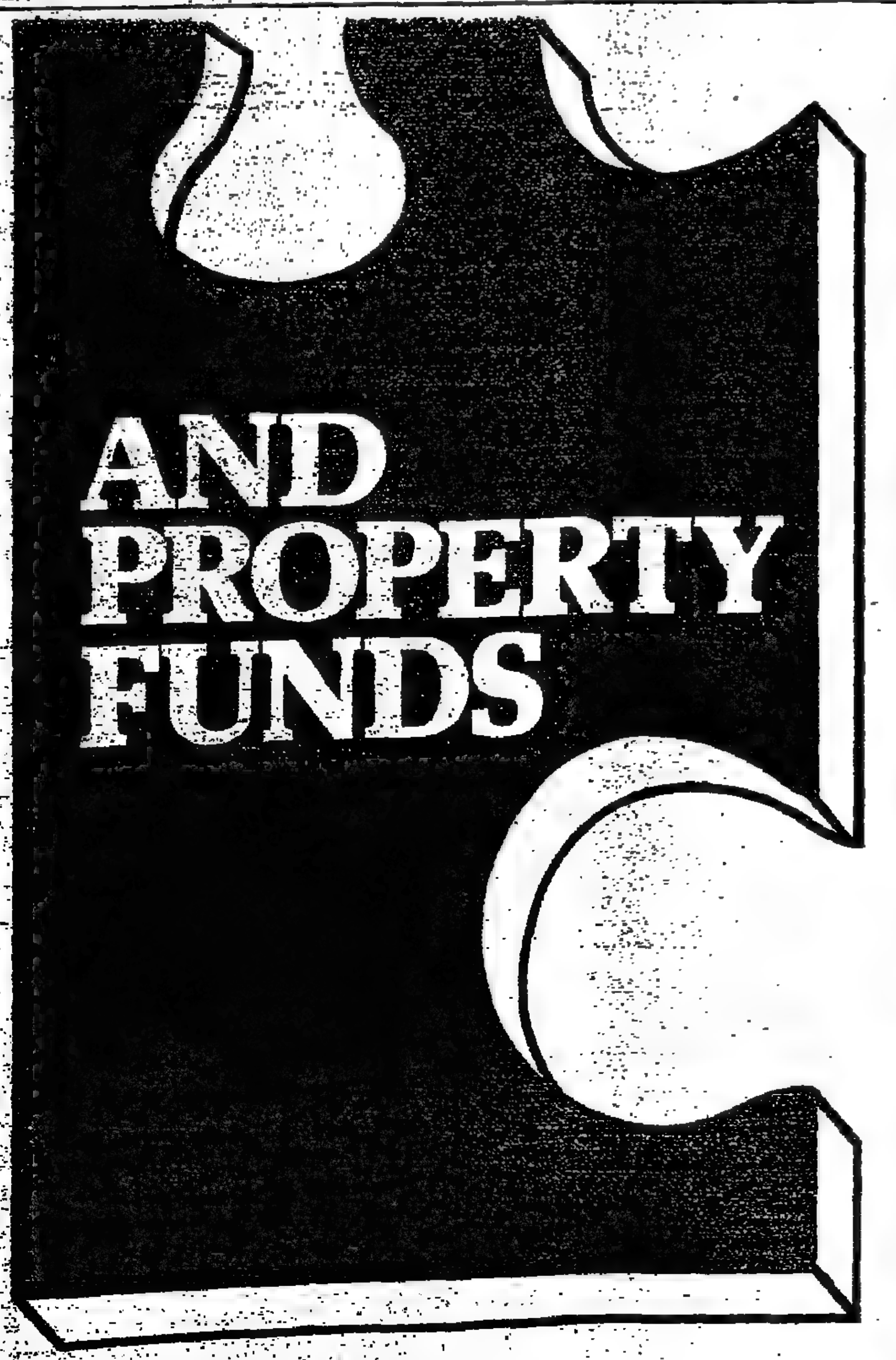
Underwriting expands at CGI

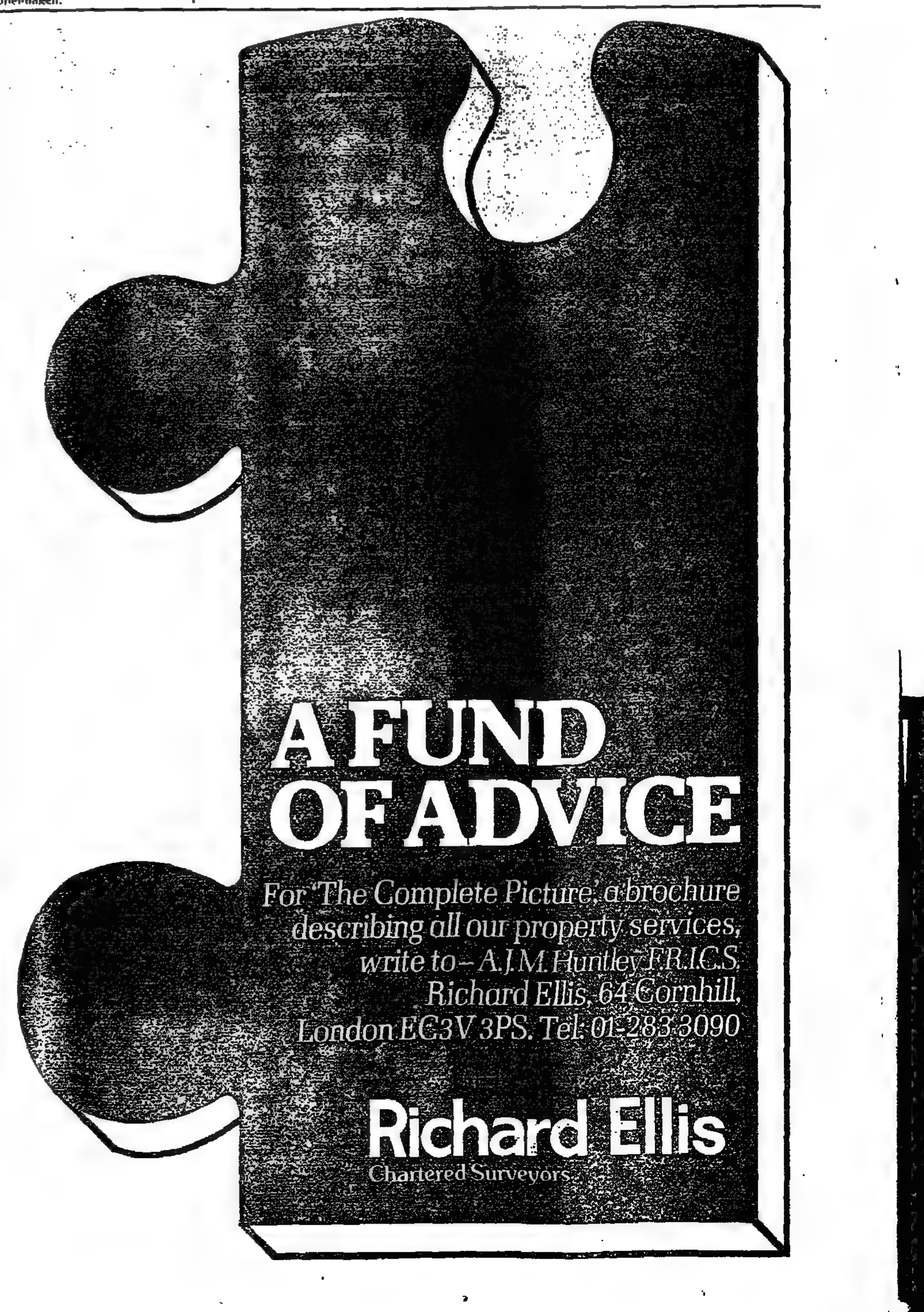
Premiums received for the 1977 underwriting account of Credit and Guarantee Insurance Company increased by two-thirds on the previous year, reports Mr. Julius Neave in his chairman's introduction to the report and accounts. The growth was equally spread between the two important sectors of the business of the company, credit underwriting and bonding. The underwriting fund on this account stood at £131,000 in respect of net premiums retained of £251,000. On the 1976 account, the fund stands at £252,000.

The company has adopted a three-year accounting period following its reorganisation, with 1976 being the first year under the new system. The 1976 account will be closed at the end of 1978 and Mr. Neave expects a modest but satisfactory underwriting profit.

During last year, the company introduced a new form of protection, which indemnifies owners of commercial properties against financial loss in the event of tenants defaulting. This concept has been well received by the property market. Mr. Neave also points out that the company pioneered the safeguarding of British holidaymakers against loss of money and repatriation expenses caused by the collapse of tour operators and is still actively involved in the travel industry.

The company is jointly owned by Mercantile and General Reinsurance Company, Dominion Insurance Company, N.V. Nationale Borg Maatschappij of Amsterdam and Dansk Kautionforsikrings-Aktieselskab of Copenhagen.





BIDS AND DEALS

E & G/County & Suburban announce new merger plan

BY JOHN BRENNAN, PROPERTY CORRESPONDENT

THE LONG and occasionally acrimonious courtship of Mr. Peter Prowting's private property development group County and Suburban Holdings and the publicly quoted Estates and General Investments may yet have ahappy ending. E and G announced details of a new merger plan yesterday, which appears to satisfy the criticisms that killed the last merger scheme in 1975.

The new merger terms are structured in the form of a reverse takeover by E and G of County and Suburben, which is 85 per cent owned by Mr. Prowting and 14 per cent by Guardian Royal Exchange Assurance. It is proposed that E and G will acquire the whole of County and Suburban with the issue of 7.88m new 20p shares and a new 10 per cent unsecured loan stock, 1982. This would give Mr. Prowting's group 44.8 per cent of the enlarged group, and added to his existing 39.9 per cent share of E and G's existing shares, Mr. Prowting and his associates would end up with 61.8 per cent and Guardian Royal 6.3 per cent of the larger company.

A March valuation of both companies' properties shows that E and G's portfolio is now worth £4.2m supporting net assets of £3.1m, or 31.7p a share. County and Surburban's properties are valued at £8.7m and so the combined group would have properties of just under £13m and a net worth of £7.02m, 39.9p a share, and a 25.8 per cent increase in net assets for existing E and G shareholders. The board also recommends a 20 per cent increase in 1977 dividends to 1.2p a share net on the enlarged equity.

Mr. John Laurence, E and G's chairman, said yesterday that "this is a natural marriage and will give us tremendous advantages in improving the portfolio balance, enlarging the company, and making management economies." Mr. Laurence and his Board advised by Lazard Brothers recommend acceptance of the merger terms which will be considered at an EGM at Winchester House, EC, on Thursday June 29.

For the first time the Takeover Panel has insisted on a poll vote rather than the usual show of hands, and neither Mr. Prowting nor his associates will be allowed to vote their near 40 per cent shareholding.

However, the points that sparked fierce resistance to the 1975 merger talks seem to have been ironed out in the current proposals. Opposition to County and Suburban's approach in 1974 focused on Mr. Prowting's plan to transfer £3.4m of his personal guarantees on bank loans made to cover private property developments to E and G. This time the County and Suburban subsidiary to which these guarantees attach is excluded from the proposals.

In 1975 E and G shareholders also looked askance at a County and Suburban trading loss of £298,000 in the first eight months of 1974, and reasonably questioned whether Mr. Prowting had designs on E and G's £1m cash balances. Now County and Suburban comes to the proposals showing 1977 pre-tax profits of £193,000 and a considerably less heavily geared balance sheet. In 1977 E and G reported pre-tax profits of £332,000.

Mr. Laurence has had informal discussions — with the Takeover Panel's permission — with the founders of the Association of E and G Stockholders, the group that played the major part in rallying opposition to the earlier proposals. The chairman says that as a result of these talks he does not expect organised opposition to the new plans.

One slightly ludicrous aspect of the whole business is that Mr. Prowting and his management team have been running E and G for the past three years under a £42,000 a year contract agreed at the time of Mr. Prowting's acquisition of a near 30 per cent stake in the group. Last December shareholders permitted him to increase his holding to 39.9 per cent to resolve a three year old legal wrangle with former directors' family trusts.

If the merger plan is agreed by shareholders, E and G's shares, suspended at 20p today, will be requoted on July 3.

But that may only be the beginning of a new E and G saga. Mr. Prowting said yesterday that if the merger works he will be looking for another quoted property company to further expand the group: "It is not my final object to end up with 60 per cent of E and G. If we can get it moving I'd be happy with a smaller share of a far larger company."

Drake & Scull chairman buys 0.25m shares

Mr. Michael Abbott, chairman of Drake and Scull, chose to announce yesterday that he has agreed to buy 250,000 shares in his company, because that was the day of Tarmac's AGM.

Mr. Abbott was concerned that further statements could be made by Tarmac which would affect Drake and Scull as statements at the interim stage did last year. At that time Tarmac said some losses might be recoverable from Drake and Scull through general warranties relating to the purchase of Holland, Hannen and Cubitts from Drake and Scull in 1976.

According to Mr. Abbott, the standing of Drake and Scull fell as a result of this statement and the recovery underway was hindered. So he took the "precaution" of announcing yesterday the purchase of further shares in Drake and Scull so that any further statement by Tarmac would be countered by his show of "confidence and commitment."

Mr. Abbott also wanted to acquire a substantial stake in the company which, he said, is "making an extremely effective recovery."

The shares were bought from Mr. Robert Potel, a former chairman, at 27½p per share. The price was negotiated several weeks ago, since when it has weakened.

Also announced yesterday was the sale of 25,000 shares by Mr. Chevalier A. A. A. Malevez, a director, at 24p. This took place on April 28. Then on May 31, Mr. Malevez transferred 100,000 shares from non-beneficial to beneficial.

Mr. Abbott said yesterday that there was no connection between his transaction and those of Mr. Malevez.

ALEX. HOWDEN'S SOUTH AFRICAN PURCHASE

Alexander Howden, the international insurance broker with interests in banking and shipping has bought a controlling stake in Wellworths Stores and Bazaars, a South African quoted company, for just under £700,000.

Through its Bermudan subsidiary—Alexander Howden Group (Bermuda)—Howden has purchased 1.5m ordinary shares, representing 80.6 per cent of the Wellworth equity, for R0.95 per share and 76,000 6 per cent cum preference shares (60.8 per cent of the total) for R1.5 per share giving a total consideration of R1.11m.

Howden has offered to purchase the remaining ordinary and preference shares at the same price.

Wellworths is effectively a "shell" company but has assets of R1.55m which includes some R1.4m of short-term cash deposits, so Howden looks to be buying at a discount.

The move is designed to provide a holding company for the group's recently established South African operations, which included the purchase last month of a 20 per cent stake in Marine and Trade Insurance, a local short-term insurer. Howden intends to change the name of Wellworths to "Alexander Howden Group South Africa" and in due course the new company will acquire the group's existing South African interests, which are expected to contribute around £500,000 to pre-tax profits in the current year.

The deal will also give Howden a base for further South African acquisitions.

RIVLIN SUSPENDED

Shares of L. D. and S. Rivlin were suspended yesterday as the group announced that the Midland Bank had appointed a receiver for all its North East retail interests—the largest of which is Sachs and Sherman.

Problems in the North East have been the major cause of group pre-tax losses of £66,000 last year and £118,000 in the first half of the current year.

The group is an importer and wholesaler and retailer of clothing and textiles. Its shares were suspended at 18p down ½p yesterday.

ASSOCIATES DEAL

Stancliffe Todd Hodgson purchased on behalf of Mr. Nicholas Horsley, chairman of Northern Foods, 5,000 shares, non-assented, in Pork Farms at 64½p yesterday.

Saint Piran chief resigns

THE MANAGING director of Saint Piran, Mr. Peter Adie, has resigned from the board. He has also resigned from the subsidiary and associated companies.

Saint Piran, the mining and property development group, has recently attracted attention because of its 29.85 per cent stake in A. Monk, the civil engineer and building contractor. Both the board and a union at A. Monk have been hostile to this stake.

The official statement from Saint Piran said yesterday that Mr. Adie had resigned "in order to pursue his private interests." Neither Mr. Adie nor any of his fellow directors were available at the company's offices to add any further explanation.

Saint Piran's stockbroker, Joseph Sebag, said it had "no idea" about the background to the resignation. In September last year Sebag floated on the Stock Exchange South Crofty, a tin mining associate company of Saint Piran of which Mr. Adie was a director. Sebag agreed that it was unfortunate that a director should resign from such a recently floated company but commented that Mr. Adie's services to South Crofty were not essential since he is not a mining expert.

CONSORTIUM HAS OVER 50% OF LONDON & L'POOL

A consortium of companies which was instructed by the City Take-over Panel to make a full bid for London and Liverpool Trust has increased its holdings in the investment trust to just over 50 per cent.

The consortium, which is headed by South African interests, said yesterday that its offer had gone unconditional.

The consortium was instructed to make a full bid for the investment trust after the Take-over Panel decided that certain companies had acted in concert with two subsidiaries of the South African group W & A Investment Corporation in achieving a joint stake of 47.6 per cent.

The bid price was 21p a share which valued London and Liverpool at £525,000. The consortium which consists of W and A SA Zug, Aschheim Securities, London Consolidated Properties, Stroller Securities and Virgo Corporation received acceptance representing 3.22 per cent of the trust.

SHARE STAKES

De Vere Hotels and Restaurants: Mr. L. Muller and Mr. A. T. W. Harvey have sold 30,000 shares out of their joint holding.

British Electric Traction. Mr. G. R. A. Metcalfe, a director of Advance Laundries, a subsidiary of BET—has acquired 51,300 deferred ordinary shares at 46p under BET share option scheme.

Gnome Photographic Products: Mrs. H. J. Rees, director, between January 30 and May 15, sold 30,000 shares. Mr. J. S. Hallsworth, director, between May 10 and 24 bought 19,900 shares. Mr. T. Brass, the husband of Mrs. K. M. Brass, a director on May 26 bought 500 shares.

Edinburgh Ice Rink. Paisley Ice Rink has acquired a further 2,070 shares. In addition 1,000 shares have been acquired by Glasgow Tullis Enterprises of which J. Glasgow is chairman. When added to Mr. Glasgow's personal holdings and those of Scottish Ice Rink (1928), which he also controls, this brings his interest in Edinburgh Ice Rink to 28.17 per cent.

Pennine Motor Group: G. Tankard has sold 45,000 shares. Major E. H. Marley and associates have sold 65,000 shares.

Capital and National Trust: Standard Life Assurance Co. on June 6 bought 20,000 shares making total holding 891,000 shares (6 per cent). Shares registered in name of Bank of Scotland (Stanlife) London nominees.

Tribune Investment Trust: Sir Rex Cohen, director, on June 6 disposed of 32,120 shares at 64p.

Gough Cooper and Co.: Miss J. Gough-Cooper has sold 25,000 shares.

Hestair: D. Hargreaves, director, has sold his rights to 74,880 new shares at 11½p premium. R. Raworth has sold his rights to 25,000 new shares at 11½p premium.

Australian and International Trust: United Kingdom Temperance and General Provident Institution holds 545,000 shares (9.08 per cent).

Yeoman Investment Trust: The Prudential Assurance Co.'s holding of 545,000 shares now represents 8.99 per cent following this year's conversion of 4½ per cent loan stock 1993. For same reason Practical Investment Fund's holding of 572,000 shares represents 9.43 per cent.

Reed International: Mr. G. S. G. Witherington, a director, has disposed of his interest in 30,000 shares for no consideration. His interest in these shares is non-beneficial as a trustee.

Southern Construction (Holdings): Kulim (Malaysia) Berhad has sold 50,000 shares, reducing its holding to less than 5 per cent.

M. P. Kent: The trustees bought 20,000 shares at 35½p for discretionary trust under which Mr. G. A. W. Jiggins's dependants are beneficially interested.

KNOTT MILL

Knott Mill, the carpet retailers, announced yesterday that it was involved in discussions which might lead to a bid being made for the company. The shares were suspended at the company's request at 17p, valuing Knott Mill at £386,500.

Tenneco to see Albright union chiefs

AN EXECUTIVE vice-president of Tenneco, which is proposing to make an agreed bid for Albright and Wilson, will meet with union chiefs to discuss their objections. The heads of the five major unions involved are being invited to join him and Mr. David Livingstone, managing director of Albright, tomorrow evening. Union objections to the take-over are widely seen as important to the decision on whether or not it will be referred to the Monopolies Commission. So the Tenneco representative will be seeking to convert the union representatives to the bid.

In Tenneco's view, Albright will be strengthened by the takeover because it will receive some of the cash flow coming from its North Sea oil interests. Tenneco regards this as good for Tenneco and good for the UK. As for the immediate interests of employees, a commitment to respect their existing rights has already been made. Tenneco argues that since the management will not be changed, employees need not fear any change of policy which would adversely affect them.

As well as meeting the union chiefs, Tenneco is to send a letter to all employees, signed by Tenneco's chairman, with further information on the proposed bid.

Albright's managing director, Mr. David Livingstone will probably meet the Office of Fair Trading and the Department of Industry after the union meeting on Friday.

The OFT is expected to make its recommendation about referring the bid in the middle of next week.

ARMSTRONG OFFERS ALTERNATIVE

Armstrong Equipment has no intention of revising its offer for Cornercroft, which includes a share alternative of one 10p Armstrong share for each 20p Cornercroft share.

The share alternative revealed for the first time in the formal offer document sent to shareholders yesterday is worth 65p per Cornercroft share—based on the middle market price on June 9. As announced on May 30, Armstrong Equipment is bidding 65p cash for Cornercroft.

But the cash offer has been rejected by Cornercroft as inadequate "in the light of current trading levels." Cornercroft chairman, Mr. A. W. Hartwell, also said the board expects to be able to recommend a significant increase in the level of dividends for the current year to September.

However, Mr. J. Harry Hooper, Armstrong's chairman, said that the company, which has already acquired some 40 per cent of Cornercroft, has made a fair and reasonable offer and has no intention of revising it considering Cornercroft's past performance.

He also pointed out that Cornercroft's earnings last year provide a cover of 1½ times only and this is hardly the time to be talking about the significant increase in the dividends this year. Last year, the company paid a total of 3.1944p.

Besides the offer for Cornercroft's ordinary shares, which is conditional on acceptances of more than 50 per cent, Armstrong has also offered 35p in cash for Cornercroft's 4.55 per cent 50p cumulative preference share.

Brit. Land stake in Churchbury Estates

FOR THE fourth time in just over a year British Land has taken a strategic stake in a smaller property company through a share issue—on two of these occasions the group has resold its holdings for cash, making a nice profit into the bargain.

Mr. John Ritblat, chairman of British Land announced yesterday that the group had acquired a 15.6 per cent holding in Churchbury Estates in return for a 3 per cent stake in British Land.

McLeod Russel, the tea company, already holds a 19 per cent interest in Churchbury and the property company's share price rose 11p to 268p yesterday on news of this second major holding.

British Land's share price last night was 34p valuing its Churchbury holding at almost £640,000 —256p a share. Last month the group acquired all the equity capital of Wellingrove Property Investment by issuing 815,000 of its own shares in a deal valued at £253,000.

British Land is fast achieving the reputation of a shrewd operator by way of its property share deals. Just over a year ago it acquired a 15 per cent holding in Bridgewater Estates in a deal worth 212p a share. Five months later it sold this stake for 259p cash a share.

This was followed in January this year by the purchase for shares of an 18.3 per cent holding in Property Investment and Finance only to sell the holding for cash—and make a £50,000 profit—to Castlemere Properties which was planning to make a full-scale bid for PIF.

Mr. Ritblat said yesterday that it was not corporate policy to buy shares just with a view of a potential resale value. "We are just as much concerned with income and make investments in companies which we think are attractive and where there is a suitable discount to assets. However, if an offer is subsequently received we would naturally consider this on its merits," said Mr. Ritblat.

The most interesting aspect of this latest deal will be McLeod Russel's reaction to a rival stake similar in size to its own.

MINING NEWS

Amax recovers after a poor first quarter

BY KENNETH MARSTON, MINING EDITOR

AFTER a poor first quarter, when earnings were hit by the U.S. coal miners' strike, the diversified U.S. Amax minerals group looks for a good recovery this year, reports Paul Cheeseright from Frankfurt.

Yesterday the group moved to sharpen its profile in Europe by taking a listing on the Frankfurt stock exchange. Trading in the shares opened at DM 72. A Vienna listing will be granted tomorrow, bringing the number of Amax listings in Europe to seven.

Mr. Pierre Gousseland, the Amax chairman, said: "The recovery will be based on an increase in coal production above 1977 levels, as well as continued strong markets for molybdenum, oil, and gas. We also expect reasonably improved markets in many of our other operations."

This relative optimism was based on the assessment that growth in the U.S. economy in the last three-quarters of this year should be about 5 per cent. Capital investment is starting to improve, said Mr. Gousseland.

At the same time, he reflected the pervasive industry gloom about rising costs. "Some metals may become uneconomic to produce, without corresponding equalisation in their market price," he warned.

In a survey of group activities, Mr. Gousseland disclosed that Amax could make, within the next two months, a decision about the re-opening of an open-pit molybdenum mine in British Columbia. Production could be 10m tons of molybdenum concentrates annually. Proven and probable ore reserves so far are 105m tons grading 0.192 per cent.

Reserves at the Mount Emmons moly find in Colorado are now indicated at 165m tons grading 0.43 per cent, but the extent of the mineralised zone has not yet been fully defined. It is not likely to be ready for production for at least six or seven years.

Last year, Amax had a pre-tax loss of $29.8m on its nickel operations. But this year the loss will be reduced to under $10m, Mr. Gousseland said. World copper consumption this year could exceed production, he thought, and the lead market continues to be strong.

Amax coal production in the U.S. this year should reach 30m tons. This is 2m tons more than in 1977, indicating healthy growth in view of the miners' strike in the first quarter. Oil and gas income should be a record in 1978 and exploration is continuing.

At the Mount Newman iron ore operation in Western Australia, where Amax has a 25 per cent stake, total shipments this year are expected to be 29.8m tonnes, compared with 28.5m tonnes in 1977.

Mr. Gousseland said that tungsten's contribution to earnings would rise following Amax's proposed increased interest in Canada Tungsten Mining. He added that production of Canada Tungsten would double in 1978.

Amax, which Mr. Gousseland called "if not the first, the second largest producer of tungsten in the free world," is very enthusiastic about the future of tungsten, he said. Amax holds the largest known deposit of tungsten in the Western world in the Polar Circle, but has not developed it because of large U.S. Government stockpiles, he said.

"The stockpiles are being slowly reduced and work on the Polar Circle deposit might start in a year or so." The demand for molybdenum, the traditional pillar of strength for Amax, continues to increase. Mr. Gousseland said that last year world consumption rose by 4m lbs to 172m lbs. Amax production increased to 75m lbs from 64m lbs in 1976, he said.

He added that capital expenditures would moderate during the next few years. They were $380m in 1977, compared with $531m in 1976 and $535m in 1975. Total capital expenditures of the group over the next five to six years should be about $2.65bn, including $400m in 1978.

While capital expenditures will be less, Mr. Gousseland said that pre-tax earnings from operations will accelerate after increased provision for depreciation and depletion charges.

AMAX OFFER FOR CAN. TUNGSTEN

The Toronto Stock Exchange has accepted the notice by Amax of the latter's cash offer to buy up to 800,000 Canada Tungsten Mining shares at a price of C$19 per share. Amax already owns 2.43m shares of Canada Tungsten, or 48.6 per cent of the equity.

A further 1m shares, or 20.1 per cent, are held by Dome Mines. The latter has advised the stock exchange that it will not tender any of its Canada Tungsten shares under the Amax offer.

West Drie beats the band but East Drie lags

SURPRISES, good and bad, are thrown into the ring by the *Consolidated Gold Fields* group's half-yearly gold-mining dividends. The best news comes from the major mine, West Driefontein, which is declaring an above-expected final of 250 cents (137.5p) to make a total for the current year to June 30 of 385 cents against 280 cents for 1976-77.

Disappointment, on the other hand, will be felt over the interim dividend of 40 cents declared by the relatively young and top class mine East Driefontein. Estimates had ranged up to 60 cents for this currently popular producer which paid a total of 78 cents for 1977.

Among other payments, the final of 25 cents declared by Kloof only just meets the minimum forecasts for a mine which has not fulfilled market expectations, but the latest payment makes a total of 40 cents for 1977-78 against 30 cents.

The latest payments are summarised in the following table.

	June, 1978 cents	Dec., 1977 cents	June, 1977 cents	Dec., 1976 cents
Doornfontein	30	*20	10	*3
East Drie.	*40	43	*35	40
Kloof	25	*15	15	*15
Libanon	60	*40	40	*5
Venterspost	20	*5	5	*Nil
Vlakfontein	Nil	15	*10	5
W. Driefontein	250	*135	145	*135

* Interim.

Doornfontein is declaring a below-expected 30 cents, to make *30 cents against 15 cents, while* Libanon's final of 60 cents is a minimum expectation and makes *a year's total of 100 cents against* 45 cents. Venterspost, however, has beaten the pundits with a final of 20 cents to make 25 cents against only 5 cents for the year to last June.

Losses climb at Sweden's big iron mine

SWEDEN'S state-owned LKAB which operates the north Swedish iron ore mines, made a pre-tax loss of SKr 218m (£25.7m) on a SKr 499m turnover during the first four months of this year. It forecasts a total loss of around SKr 675m for 1978 as a whole, some SKr 32m higher than the 1977 loss, reports William Dullforce from Stockholm.

The losses are struck after planned depreciation. The four-month result would be SKr 55m greater and the forecast loss for 1978 about SKr 165m bigger, if cost-calculated depreciation were applied.

Because of the continuing low level of activity among the European steelmakers LKAB's deliveries during the first four months were only 0.5m tonnes *larger at 6.5m tonnes than during* the corresponding period last year. Since May, however, the Canadian miners' strike has increased demand for LKAB's supplies and deliveries are now estimated to reach over 21m tonnes this year against 19.3m tonnes in 1977, the lowest level since 1963.

Most of these extra deliveries will be made from stock. Production at the mines is not expected to be more than 18.5m tonnes this year. The mines will close down for eight or nine weeks in the summer. At the same time, ore prices have fallen 15 per cent on average from the 1977 level, so the extra demand occasioned by the Canadian strike is not improving LKAB's finances as much as might be expected.

The interim report notes a "positive" reduction in production costs during the four months but higher rail transport and pension costs have worked in the opposite direction. The stock evaluation in the 1977 account was also too optimistic and, to conform with actual price developments, LKAB anticipates that it will need to write down stocks by about SKr 113m this year.

The production cuts and the stock reduction are having a favourable effect on the company's liquidity, it is stated. Together with a SKr 280m cut in investments this will reduce the *borrowing requirement for 1978.*

Barclays offer terms for ITC

THE DEAL announced yesterday for the acquisition of the Investment Trust Corporation (ITC) by the Post Office Staff Superannuation Fund through Barclays Bank involves an agreed offer by Barclays for the whole of the issued share capital of ITC.

The offer is being made on the basis of 88 ordinary £1 stock units in Barclays Bank or £264 cash for every 100 25p ITC ordinary. Barclays is also offering 100p cash for each 3.15 per cent cumulative preference share of £1 in ITC.

A resolution will be put to holders of the 5 per cent convertible unsecured loan stock 2000-05 of ITC proposing the conversion at the current rate of all the loan stock into ITC ordinary (an effective conversion price of 192.3p per ordinary). The resolution will be subject to the ordinary offer becoming unconditional and, if it is passed, stockholders will be eligible to accept.

To provide the cash consideration underwriting arrangements are in hand for Cazenove and Co. and Pember and Boyle to subscribe for new ordinary stock units of Barclays at 300p net cash per ordinary stock unit. The cash alternative under the offer will only be available until the first closing date.

Barclays has entered into an option agreement with the trustees of the Post Office Staff Superannuation Fund. Under this, subject to the ordinary offer becoming unconditional, Barclays will have the right to sell for cash and POSSF will have the right to purchase for cash any ordinary and preference shares in ITC acquired by Barclays at 264p per ordinary and 100p per preference.

If the option were exercised, Barclays would receive cash proceeds of some £85m which it intends to use in further expansion of its business.

The Barclays Board intends to pay in October 1978 an interim ordinary dividend of 6.05p net for the year ending December 31, 1978 (5.5p), and in the absence of unforeseen circumstances to recommend a final dividend of not less than 7.2089p net (5.5491p) expected to be paid at around the end of April 1979.

This represents an aggregate increase of 20 per cent over the dividends paid for 1977. If the applicable ACT rate is altered (as envisaged under the current Finance Bill) Barclays intends to adjust the final dividend accordingly.

The ITC ordinary and preference shares will be acquired with all rights attaching, except that ordinary ITC holders on the register at June 12, 1978, who accept the ordinary offer will be entitled to receive and retain the proposed final dividend of 4.7p net which the ITC directors have recommended, and except for the right of ordinary holders to receive new ordinary shares under the proposed capitalisation issue.

The new Barclays ordinary will not rank for the interim dividend of Barclays in respect of the current financial year, but will rank for the final.

On the basis of the middle market prices for quoted investments, directors' valuations for unquoted investments and exchange rates ruling on June 2, 1978, the net asset value per ITC ordinary (fully diluted) after deducting prior charges at redemption prices, and after providing for all contingent liabilities including capital gains tax (amounting to 14p per share) was 261.2 per share.

To reduce stamp duty expenses it is proposed that ITC should make a capitalisation issue to ordinary holders on the register at close of business on Monday, June 12, 1978.

The directors of ITC and their advisers Robert Fleming state that they consider the offers and the loan stock proposals to be fair and reasonable.

The directors (who hold no preference shares or loan stock) intend to accept the ordinary offer in respect of their own beneficial holdings amounting to 3,580 ordinary shares. They also intend to vote in favour of the capitalisation issue referred to above and will recommend all holders of ITC ordinary to do likewise.

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Stock Exchange List coverage extended

The Stock Exchange Official List now carries on its back page prices of daily dealings in securities not listed on the Stock Exchange but traded under the Exchange's rule 163 (2). This new service is part of a Stock Exchange move to increase general awareness of its members' ability to arrange transactions in unlisted securities.

The S.E. chairman, Mr. Nicholas Goodison, yesterday presented a pamphlet which spells out the features of the Exchange's unlisted securities market. The pamphlet is to be sent to 2,000 unlisted companies and to appropriate lawyers, accountants and merchant banks. It points out that the dealing facility is not new, that the volume of daily dealing under 163 (2) is now "considerable," and that some 800 companies have had their shares traded in this way in the past five years.

The S.E. is promoting the facility partly because the number of new listings on the Exchange has fallen away markedly since 1974 and partly, in the words of Mr. Goodison, because "the Wilson Committee has provoked us into greater public exposure of this market." This committee, which is examining the financial institutions, has noted a number of suggestions that an "Over-the-Counter" or "two-tier" market should be developed to cater for the needs of small companies and investors who want to buy or sell shares in them.

While the S.E. provides a procedure under which its members may trade unlisted securities, Mr. Goodison stressed that it was up to the member firms to provide competition for the so-called "OTC market" run by M. J. H. Nightingale, the investment bank. "A member firm can do anything Nightingale does," he explained. But it was not the Stock Exchange's function to force them to do it.

In dealing under 163 (2) the quality of the transactions are maintained by SE regulations, but the quality of the securities traded are not. On the one hand, the SE rules oblige the broker to obtain the best possible deal for his client. Each deal is monitored by the Exchange, and protection against the failure of an Exchange member is available under the Exchange's Compensation Fund. On the other hand, there is no formal relationship between the Exchange and an unlisted company. It is really up to the broker to make sure that the company whose shares he decides to trade, or to promote, gives out sufficient information about itself.

The essential features of dealing under 163 (2) are:

1—The broker, acting as an agent, will normally find both buyer and seller and negotiate the deal through a jobber. Alternatively, the broker may notify a jobber of his interest and the jobber may satisfy it himself or try to find a seller or buyer through another broker.

2—Provided normal registration procedures are available, transactions can take place entirely independently of the company and without reference to it.

3—A broker has to get permission to carry out each transaction from the Stock Exchange. This does not cause delay and no action is required on the part of the investor.

4—All contract notes for transactions in unlisted shares carry the statement that they are not listed on any stock exchange. Nevertheless contracts are subject to the rules and regulations of the Stock Exchange.

5—A stockbroker will charge normal commission but no charges are levied on companies by the SE.

Scott & Robertson to expand

AFTER A slow start, it is expected that there will be a progressively higher demand for the textile products of Scott and Robertson, particularly in the home market, Mr. H. B. Pirie, the chairman, says in his annual statement.

The group's packaging interests will also benefit from the anticipated higher level of economic activity, he tells members.

The mills and factories are now working, with few exceptions, at a good rate of activity while generally, production efficiencies are satisfactory.

The board is actively pursuing plans to widen the range of the group's operations with the object of both raising the profit base and reducing the fluctuations in profit which have been all too evident in the past, the chairman says.

For the year ended February 24, 1978, pre-tax profits were down from £785,899 to £522,203. The dividend is 2.774p (1.829p).

Turnover for the year was £18.08m (£16.04m). The contribution from the UK was £13.37m (£12.79m); Europe, £4.2m (£3.06m) and other overseas territories £0.52m (£0.18m).

Mr. Pirie says the year has been described as one of the worst years in living memory for the carpet industry and as approximately 60 per cent of the group's business consists of the supply of products to the floor-covering industry, it was inevitable that the profitability of the group would be affected.

Exports, though buoyant, suffered intense competition with low margins and could not compensate for the depressed conditions in the home market.

The lowest point in this recession was experienced in the middle of the summer of 1977 when, due to the poor demand, some works remained closed for an extended annual summer holiday.

In the third quarter there were welcome signs of a recovery in home demand and by October this improvement was definitely established and, through the remaining months of the year, better trading conditions were maintained.

During the year prices of polymers declined. As a result of weaker prices some stock loss was inevitable and largely occurred in the first half. Raw jute prices, which hitherto had remained remarkably stable compared to other commodities, advanced sharply towards the end of 1977.

There has been a succession of small jute crops and it was considered prudent to carry meantime an above normal stock, the chairman states.

The next jute crop has now been sown and there is a general expectation that, given normal weather conditions, the outturn will be larger and should alleviate the current tight supply situation.

Mr. Pirie is retiring as chairman and the present vice-chairman, Mr. J. R. Scott will succeed him. Mr. K. S. Huskinson took over from Mr. Pirie as chief executive in March this year.

Meeting, Dundee, July 7, at noon.

SMITH & NEPHEW

Holders of £2,613,561 of the 8 per cent conv unsecured loan stock 1981 at Smith and Nephew Associated Companies have elected to convert their holdings into 3,227,122 ord shares on May 31.

Tomkinsons well ahead so far

Pre-tax profits of Tomkinsons Carpets advanced from £42,000 to £99,000 in the 26 weeks to April 1, 1978 on turnover of £5.31m against with £5.63m for the comparative 25 weeks.

After tax of £51,000 (£23,000) and an extraordinary credit last time of £54,000, the attributable balance is £48,000 (£73,000).

The profits before tax which are the best since 1975 have been achieved against the trend of declining profits shown by some of the recently published carpet manufacturers results, the directors point out.

In tufted the turn around has been accomplished and the division is now trading profitably. Steels Carpets and Mid-Wales Yarns have also traded satisfactorily. The Axminster division, however, continues to find market conditions generally difficult, which has been illustrated by the recent closure of one substantial competitor.

The directors say that the second half has started reasonably well and if the trend continues the company should show an improvement over last year's results, when pre-tax profits came to £176,000,

The directors have been, and are continuing to be active in world-wide investigations into new sources of profit for the group and "no worthwhile possibility is allowed to pass without the most careful evaluation."

W. Coast and Texas repays $1.25m loan

West Coast and Texas Regional Investment Trust has repaid a loan of U.S.$1.25m out of the proceeds of the $1.25m certificate of deposit which has matured. The company's total multicurrency loan facility of $3.32m has been re-negotiated in a reduced amount of $2.75m for a period of five years to May 1983.

ISSUE NEWS AND COMMENT

Robinson Bros. pref placing

IN AN UNUSUAL move, a private company, Robinson Brothers (Ryders Green), is coming to the market by way of a placing of preference shares which will raise about £2m for existing shareholders.

The company, chemical manufacturers of West Bromwich in the Midlands, is making a scrip issue of two preference shares for every one ordinary share. Arrangements have been made for 1.8m of the resulting 2m preference shares of £1 each to be placed at 109p per share.

The stock carries a coupon rate of 11 per cent and yields 15.3 per cent gross compared with around 13 per cent shown for commercial and industrial stocks in the FT-Actuaries Indices.

The placing will in no way affect the ultimate ownership of the company, which is controlled by Robinson family interests. Dealings are expected to start on June 19.

Robinsons, originally engaged in tar distillation, now manufactures specialised chemicals for the rubber, cosmetic, pharmaceutical, gas, plastic and general chemical industries. It has a labour force of 562.

In 1977, pre-tax profits rose from £1.38m to £1.48m on sales of £9.43m (£6.7m). For the current year the directors forecast profits of not less than £1.4m.

At end December, 1977 the preference shares were covered 2.5 times by net tangible assets. On the basis of the 1978 forecast and a tax rate of 15 per cent, preference dividends would be covered 3.4 times.

According to the prospectus, Mr. W. A. Robinson, Mr. A. P. Robinson, Mr. J. H. Robinson and Mr. F. D. Robinson together hold 0.62m beneficial and non-beneficial ordinary shares, out of a total of 1m.

Yearlings fall to $9\frac{3}{4}$%

The coupon rate on this week's batch of local authority yearling bonds has dropped from 10¼ per cent to 9¾ per cent. Issued at par, they are due on June 20, 1979.

The issues are: Royal Borough of Kensington and Chelsea (£0.5m), Beaconsfield District Council (£0.25m), City of Norwich (£0.75m), Wiltshire County Council (£1m), Cyngor Dosbarth Dwyfor (£0.5m), Dudley Metropolitan Borough Council (£0.75m), North Kesteven District Council (£0.75m), City of Coventry (£0.5m), Rhondda Borough Council (£0.5m), London Borough of Tower Hamlets (£1m), Barnsley Metropolitan Borough Council (£0.5m), Borough of Cynon Valley (£0.5m), Greater Manchester Passenger Transport Executive (£0.5m), Highland Regional Council (£1m), City of Dundee District Council (£0.5m), City of Glasgow District Council (£1m), City of Leeds (£1m), City of Liverpool (£1.75m), Metropolitan Borough of Solihull (£0.5m), Strathclyde Regional Council (£1m).

Banff and Buchan District Council is raising £0.5m by the issue of 12 per cent bonds due on June 9, 1982, while Medway Borough Council and Luton Borough Council are each raising £0.5m by the issue of variable rate bonds due on June 8, 1983.

West Kent Water placing

West Kent Water Company is placing £0.75m of 12.5 per cent Redeemable Debenture Stock, repayable on December 31, 1986. The issue is priced at £98¾ per cent, payable as to £25 per cent on June 19 and the balance on September 1.

Dealings are expected to start on June 19.

Interest is payable half-yearly on January 2 and July 1. The first payment—on January 2—will be £4,843.

Brokers to the issue are Laurie, Milbank and Co.

● comment

It has been three months since the last water company debenture issue. That was York Water with a similar dated stock which is showing in the market yields of 11.73 per cent running and 11.96 per cent to redemption. So the West Kent issue, yielding 12.658 per cent and 12.745 per cent, seems generously priced. However, a better guide is perhaps the latest corporation issue from South Tyneside where the application list opens this morning. At the issue price of £99 per cent Tyneside is offering a running yield of 12.37 per cent and redemption 12.43 per cent. So West Kent looks as if it could start dealings with a premium of almost a point.

EXCHEQUER 10%

The prospectus is published today in connection with the new short tap stock. The issue is of £900m of 10 per cent Exchequer Stock 1983 at £95 per cent. Last Friday a £1bn long tap was announced.

This issue is payable as to £15 per cent on application with calls of £30 per cent and £30 per cent on July 7 and July 28 respectively.

Applications for up to £2,000 of stock must be in multiples of £100; between £2,000 and £50,000 in multiples of £500 and above £50,000 in multiples of £1,000.

I. & J. HYMAN

Dealings in the new shares of I. and J. Hyman offered by way of rights last month started yesterday. The shares were offered at 29p each and opened yesterday at a 9½p premium and closed at an 11½p premium.

£1.4m order for Ford

FORD of Britain has concluded a £1.4m truck sales deal, under which 140 16-ton chassis-cabs will be supplied to Turkey. The deal was negotiated by the Swiss body-building company Moser of Burgdorf, which will be fitting refuse collection tipper body-shells to the chassis units prior to their re-export to Turkey.

The final buyer in this international deal is the Municipality of Istanbul which will operate the vehicles for house-to-house refuse collection. The trucks will be delivered to Istanbul in an overland convoy.

All 140 trucks are powered by 170 bhp Ford V8 diesels and are fitted with heavy-duty power take-off equipment supplied by the Bradford company Drum Engineering.

China chemicals project

BY SUE CAMERON

A QUOTATION for the building of a 200,000 tonnes a year ethanol plant at Taching Oil Fields petrochemical complex in north east China has been made by Japan Gasoline, using exclusively the down-stream technology of Royal Dutch Shell.

A team from Shell spent two weeks in China last month discussing the proposed plant with representatives of Taching Oil Fields and with the Chinese National Technical Import Corp. Shell says that if Japan Gasoline's bid is accepted, it would license its technological expertise to the Chinese. It would not take any part in the management of the ethanol plant which, according to Chinese spokesmen, would produce solely for the home market.

It is understood that a quotation for the construction of the plant has been made by Uhde, the West German contractor, working with Veba Chemie, as well as by Japan Gasoline. The Chinese, who are said to have contacted a number of contractors, are expected to make a final decision on the bids later this month.

English win business game

FOR THE first time in the eight-year history of The Scotsman management game an English team, the Commercial Union Assurance Company, London have won.

In a final at the Strathclyde Business School Commercial Union emerged at the top from a record number of 282 teams who competed in this year's game.

Commercial Union managed to amass a profit of £481,134. However, there was only £1,763 between first and second place which was taken by the Scottish Gas Board, team-winners of the 1976 game.

Safety coat for motorcyclists

AN INSURANCE company is to provide its motorcycle policyholders with fluorescent waistcoats free of charge because lack of conspicuous clothing is a main cause of accidents involving motorcycles.

The jackets will be sent out over the next year with renewals and new applications by Devitt (DA Insurance) in conjunction with HP Motor Policies at Lloyd's. Shaw Taylor, the TV personality, will give them to the first applicants at Lloyd's today.

More than 70,000 motorcycle accidents occur each year. Devitt hopes that its initiative will reduce the casualty rate by encouraging many more riders to wear luminous clothing.

COMPANY NOTICES

INTERNATIONAL FINANCIAL AND COMPANY NEWS

NORTH AMERICAN NEWS

Basic Resources expects break-through next year

BY OUR FINANCIAL STAFF

AN INCREASED loss of $3.4m was reported for last year by Basic Resources International S.A., the parent company whose subsidiaries operate in oil and metal exploration in Guatemala, but the president, Mr. John D. Park, anticipates a "sizeable cash flow" in the second quarter of 1979.

By mid-way through next year, the company's pipeline from its Rubelsanto structure to the east coast will be completed. The pipeline, estimated to cost a total of $23m, will be financed by a consortium of French banks led by Societe Generale S.A. with the loan insured by COFACE, an agency of the French Government.

The Rubelsanto venture, a joint operation with Shenandoah Oil Corporation of Texas, aims at an initial output of 8,500 barrels a day. Proven petroleum reserves are estimated at 10.3m barrels.

Mr. Park told shareholders in his annual report, published this week, that the company faced "somewhat of a cross roads" in its Guatemala exploration programme, in that it had to decide whether to enter into further exploration joint ventures or to await completion of the Rubelsanto pipeline and rely upon the cash then expected.

To help resolve this question, the Board engaged petroleum consultants to carry out an appraisal of the exploration prospects of the remainder of the company's concession in Guatemala.

The report, which is available for public inspection, indicated "a good possibility" of further additional structures with similar reserves to Rubelsanto. On this basis, the Board has decided to pursue an active exploration programme.

Eaton buys into Cutler-Hammer

BY JOHN WYLES

NEW YORK, June 13.

EATON CORPORATION has stepped into the intricate battle for control of Cutler-Hammer with a $115.8m purchase of the Milwaukee-based electronics company's common stock.

This holding, which amounts to a 32 per cent stake, has been bought from Tyco Laboratories, a small New Hampshire manufacturing company—which has been a tenacious buyer of Cutler-Hammer stock since last November.

Financed by large bank borrowings and more recently by a $25m Eurodollar issue, Tyco appeared bent on a takeover of Cutler-Hammer after the larger company stepped in to thwart Tyco's move to control Leeds and Northrup, a precision instrument maker. Cutler-Hammer stepped in as Leeds and Northrup's "white knight" and eventually acquired 33.5 per cent of the company after Tyco capitulated by selling its holdings.

As many analysts suspected, control of Leeds and Northrup still appears to be Tyco's objective. Eaton has agreed that if it acquires a majority of the 68 per cent of the Cutler-Hammer stock it does not own then "it will, so far as it is legally able and subject to agreement between Cutler-Hammer and Leeds and Northrup, cause Cutler-Hammer to sell all of its holdings of common stock of Leeds and Northrup to Tyco."

Tyco has spent more than $80m building up its holdings in Cutler-Hammer and it said today that its profits on the deal with Eaton amounted to $5m "after provisions for recoverable profits and taxes." Eaton paid $55 a share for the Tyco holding and two large blocks of Cutler-Hammer stock were traded on the New York Stock Exchange at $55, apparently before Tyco's announcement but 25 cents lower than the previous trade. This price values the electronics company at about $325m.

One possible obstacle to Eaton assuming full control is the fact that Cutler-Hammer sought out Koppers Corporation as its "white knight" and this diversified manufacturing company has a 21 per cent holding.

However, it is unlikely that Eaton would have stepped in without being ready to mount a determined bid for control.

The company has made no secret of its interest in making a major acquisition since it was beaten off by Kennecott for the takeover of Carborundum last autumn.

Currency gain lifts Seagram

By Our Own Correspondent

MONTREAL, June 13.

SEAGRAM COMPANY, the world's largest distiller and based in Montreal, earned US $22.3m or 64 cents a share in the fiscal third quarter, against US $18.6m or 53 cents a share a year earlier, after pre-tax foreign exchange gains of $2.6m, against $1.2m. Sales were $533m against $536m.

Nine months earnings were $62.3m or $1.78 a share, against $65.7m or $1.87 per share, on sales of $1.7bn, against $1.6bn. An exchange loss of $1.2m against a gain of $7.7m is included.

Kennecott delay

Kennecott announced that its annual meeting, which was adjourned to June 14 to allow for a vote count in the Curtiss-Wright proxy fight, had been further postponed to June 28 because the vote tally had not yet been completed, David Lascelles reports from New York.

Offer for Interpool

Interpool's Board today unanimously approved and recommended acceptance of Thyssen-Bornemisza's tender offer, reports AP-DJ from New York. The company said Thyssen's present plans are to make a tender offer for all Interpool common shares at $40 cash per share. *Under the terms of an agreement reached last March, Thyssen is obliged to make a tender offer no later than August 1, 1978. If the acquisition is not consummated in some other way prior to that date.*

Chicago Bridge offer

Chicago Bridge and Iron Co. is to make a cash tender offer through its subsidiary CBI Industries for all outstanding common stock of Rowan Companies, at $26 per share. CBI Industries currently holds 4.9 per cent of the 10.1m outstanding shares of Rowan. CBI Industries said that the proposed offer would be conditional upon favourable action by the Civil Aeronautics Board with respect to transfer of control of Rowan's air taxi operations, AP-DJ reports from Chicago.

HUSKY OIL

Occidental in counter-bid

BY ROBERT GIBBENS

MONTREAL, June 13.

THE American-based multinational oil company, Occidental Petroleum, headed by the legendary Dr. Armand Hammer, is making a counter-bid against Petro-Canada for control of Husky Oil of Calgary—itself controlled by U.S. citizens.

Occidental's terms value the offer at U.S.$484m.

Petro-Canada is the two-year-old Canadian national oil company.

Last night, Occidental disclosed plans to make a share exchange offer for 80 per cent or more of the Husky Oil stock outstanding. Husky stockholders would get new Occidental Preferred shares, cumulative U.S.$100 par and carrying a dividend of U.S.$10 or U.S.$7.50.

About 90 per cent of the new stock would carry the higher dividend, and 10 per cent the lower rate; but the latter would be convertible into Occidental common stock at a premium of about 16 per cent. At present market values, each Husky stockholder would get 0.402 of a non-convertible Preferred share of Occidental plus 0.045 of a convertible Preferred for each share now held of Husky.

Husky shares were trading at C$35¾ when trading was started on the Canadian exchanges last Thursday.

The management of Husky owns about 20 per cent of the nearly 11m Husky common shares outstanding. They say they will accept the Occidental offer themselves, and recommend it to other shareholders.

Early on Monday, after several days of rumours, Petro-Canada said it would make an offer for all Husky shares, but without stating a price. Talks were held on Saturday between Husky and Petro-Canada in Calgary.

However, Husky later revealed that the Petro-Canada's offer was C$45 a share and the Husky directors were given 48 hours to accept.

Husky directors say they prefer the Occidental offer "because shareholders would participate in the equity of the combined companies and in potential appreciation from joint developments."

The yield available would be better under the Occidental offer for technical reasons. More than 65 per cent of Husky shareholders are U.S. residents. The Occidental offer would be made by prospectus and subject to Canadian and U.S. Government approvals. It requires 80 per cent acceptance.

The share exchange would be free of U.S. income taxes for U.S. holders and would represent a sale of stock for Canadian holders.

Both companies had been exploring ways of combining their resources "for some time." Husky owns major heavy oil reserves in South West Saskatchewan. Both companies claim they are ready to go ahead with a C$500m development programme and an upgrading plant.

Occidental also says it would merge its existing Canadian subsidiary into Husky if the offer goes through, allowing further Canadian participation.

In Calgary, Petro-Canada would say only that it will "review its position."

Earlier in Ottawa, Energy Minister, Mr. Alastair Gillespie, said it was "in the national interest and within the company's mandate" for Petro-Canada to take over Husky Oil.

But later a spokesman for Mr. Gillespie said he wondered if Occidental Petroleum had considered the Federal Government's Foreign Investment Review system in bidding against Petro-Canada for Husky.

The FIRA Act requires a company to show that a takeover proposal would provide significant benefit to Canada, and all proposals by foreign companies are subject to approval either by the Foreign Investment Review Agency, or in major cases by the Cabinet itself. Earlier this year, Canadian Occidental was refused permission to take over Bridger Petroleum of Calgary and Home Oil, owned by the major Ontario gas distributor Consumers Gas, successfully counter-bid. The Federal spokesman declared: "Occidental should know the Foreign Investment Review Agency is not a rubber stamp."

Meanwhile a spokesman for the Toronto Stock Exchange said that a resumption of trading in Husky Oil shares would be co-ordinated with the American Stock Exchange.

Trading in Husky securities was delayed on all exchanges again today pending dissemination of news of Occidental's counter-bid.

The Ontario Securities Commission today lifted the Cease Trading Order in Husky, issued on June 8.

The American Stock Exchange indicated that Husky Oil would open at $40 to $44 against a last traded price of $28¼.

Bankers in European study

BY DAVID LASCELLES

NEW YORK, June 13.

EIGHT OF the dozen largest U.S. banks have commissioned a major study of corporate banking in Western Europe in order to assess both their standing there and ways of improving it. The study is to be carried out by *the Louis Harris Organisation*, and will involve interviews with 500 companies in 10 countries, as well as with several dozen U.S. companies with European subsidiaries, and European companies with U.S. subsidiaries.

According to the Louis Harris Organisation, the survey has several principal aims.

First, it seeks to establish market shares. Although most banks have a fair idea of their standing in the market, based on their own feedback, they are keen for an objective assessment based on a wider sampling.

The survey also aims to assess the participating banks' image and standing in Europe, to learn which aspects of their performances are criticised and which appreciated.

It will try to identify the types of banking services for which demand is likely to grow, and also to establish which other major U.S. and international banks are viewed by corporate customers as proving the main competition. In this respect, the U.S. banks are understood to be particularly concerned about the competition from West German and Japanese banks.

The survey will attempt to establish where U.S. companies take decisions about their U.S. subsidiaries, and where European companies take decisions about their U.S. subsidiaries.

The survey is being made at a time when many U.S. banks are facing problems of declining foreign earnings due to the drop in interest rates in European capital markets. They are keen for more business, but want to develop it without having to cut rates further.

Their main interest, therefore, lies in establishing where the strongest demand for banking services lies, and how these services can best be offered, given that there is usually little to choose between the services available at different banks.

But while some banks are looking for ways to expand their activities in Europe, others are understood to be treating the survey as a holding operation to help them preserve their market shares and standing for the time being.

The Louis Harris Organisation would not identify the participating banks by name, but said they included eight of the 12 largest in the U.S. The banks will be paying $25,000 each for the survey, which will take at least five months to complete.

American Hoist and Derrick

NEW YORK, June 13.

AMERICAN Hoist and Derrick reports a cut in net income for the 26 weeks ended May 27 from $8.5m to $5.6m, or from $1.35 per share fully diluted to 87 cents. *Sales rose from $189m to $202m.* For the 10 weeks to May 27, net income was down from $4.07m or 64 cents per share to $3.09m or 48 cents, fully diluted, on sales ahead from $76.8m to $88.9m.

The company said that earnings in the past 10 weeks were adversely affected by product development expenses that were higher than normal, and by unfavourable operating results from the Brazilian subsidiary.

Meanwhile, the textiles concern Collins and Aikman reports an increase in per share earnings from 51 cents to 55 cents for the first quarter.

Agencies

Las Vegas casino owner in Atlantic City deal

BY OUR OWN CORRESPONDENT

NEW YORK, June 13.

ONE OF the largest U.S. gambling concerns, Caesar's World, which operates the Caesar's Palace Casino in Las Vegas, has enlarged its stake in Atlantic City, New Jersey, the resort which recently became the only town outside Nevada to have legal gambling.

Caesar's World has taken a long term lease with a purchase option on the Howard Johnson-Regency Hotel in Atlantic City, with an initial annual payment of $2.5m. The company will spend about $30m refurbishing the property and transforming it into a 52,000 sq ft casino.

Caesar's already has an option to develop a hotel casino on the former Traymore Hotel site.

Bache buys own shares

NEW YORK, June 13.

BACHE GROUP would not comment on published reports that the company is a potential takeover candidate.

Bache, the parent of Bache Halsey Stuart Shields, said earlier it purchased 489,300 of its common shares in a private transaction at $10.25 each.

A Bache spokesman said later the shares were bought from a group of shareholders in Chicago that has had "a substantial policy difference with the company."

Reuter

Whirlpool sales rising

BENTON HARBOUR, June 13.

WHIRLPOOL CORPORATION'S sales for the first five months of 1978 were more than 17 per cent ahead of the year-earlier pace, "but we don't think this level is sustainable." Mr. John H. Platts, the chairman and chief executive told reporters.

He believes, however, that the appliance maker will post a sales increase, "in excess of 8 per cent to 10 per cent" for all of 1978 and said Whirlpool will continue to outperform the industry for the balance of 1978. Whirlpool had 1977 sales of $1.94bn.

The strong sales gains will certainly push second-quarter profit above the year-earlier level when the company earned $27.7m or 76 cents a share on sales of $507.6m. But he declined to make specific earnings forecasts for either the second quarter or all of 1978.

While a "significant slowdown" is not expected, he said that Whirlpool's analysis of consumer income and debt levels and other economic factors indicates that some sales growth will taper off this year, both for the company and the overall appliance industry.

AP-DJ

Investors still cautious

By Francis Ghilès

A $30m floating rate note for Ljubljanska Bank was announced yesterday. Lead manager is Société Générale: terms include a seven-year maturity and a coupon set 1 per cent over Libor with a minimum rate of 7¾ per cent.

Over the past 48 hours the secondary market has been very quiet with no changes in prices. Investors are still cautious, preferring to keep their money in term deposits so long as they fear interest rates might move up further.

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

	Bid	Offer
STRAIGHTS		
Alcan Australia 8¾pc 1989	96½	97½
AMEV 8pc 1987	96	96½
Australia 8½pc 1992	92½	93¼
Australian M. & S. 9½pc '92	96½	97½
Barclays Bank 8¾pc 1992	95½	96½
Bowater 9½pc 1992	97½	98½
Can. N. Railway 8¾pc 1986	95½	96½
Credit National 8¾pc 1986	98	98½
Denmark 8¾pc 1984	98½	99
ECS 9pc 1993	99½	100
ECS 8¾pc 1997	94½	95
EIB 8¾pc 1992	97½	98½
EMI 9½pc 1989	98½	99
Ericsson 8¾pc 1989	96	96½
Esso 8pc 1986 Nov.	100	100½
Gt. Lakes Paper 8¾pc 1984	97½	98
Hamersley 9½pc 1992	99½	100½
Hydro Quebec 9pc 1992	94½	95½
ICI 8¾pc 1987	96½	97½
ISE Canada 9¼pc 1986	103½	104½
Macmillan Bloedel 9pc 1992	94½	95½
Massey Ferguson 9¼pc '91	98	99
Michelin 9½pc 1988	100½	101½
Midland Int. Fin. 8½pc '92	95	95½
National Coal Bd. 8pc 1987	99½	100½
National Westmnstr. 9pc '86	99½	100
Natl. Westmnstr. 9pc '86 'B'	99½	100½
Newfoundland 9pc 1989	98½	99½
Nordic Inv. Bank 8¾pc 1988	97½	98
Norges Kom. Bk. 8¾pc 1992	96	96½
Norpipe 8¾pc 1989	96	96½
Norsk Hydro 8¾pc 1992	95½	96½
Oslo 9pc 1988	99½	100
Ports Autonomes 9pc 1991	98	98½
Prov. Quebec 9pc 1993	93½	94½
Prov. Saskatchwn. 8¾pc '86	98	98½
Reed International 9pc 1987	92½	94½
RHM 9pc 1992	93½	94
Selection Trust 8¾pc 1989	91	92
Skand. Enskilda 9pc 1991	97½	98½
SKF 8pc 1987	92½	93½
Sweden (K'dom) 8¾pc 1987	95	95½
United Biscuits 9pc 1989	98	98½
Volvo 8pc 1987 March	93	93½
NOTES		
Australia 7¾pc 1984	94	94½
Bell Canada 7¾pc 1987	95½	96½
Br. Columbia Hyd. 7¾pc '85	92½	93½
Can. Pac. 8¾pc 1984	97½	98
Dow Chemical 8pc 1986	98½	99
ECS 7¾pc 1982	95½	96
ECS 8¾pc 1989	95	93½
EEC 7¾pc 1982	95½	96½
EEC 7¾pc 1984	94½	95½
Enso Gutzeit 8¾pc 1984	96½	97½
Gotaverken 7¾pc 1982	96½	97
Kockums 8pc 1983	97½	98
Michelin 8¾pc 1983	99½	100
Montreal Urban 8¾pc 1981	99	99½
New Brunswick 8pc 1984	96½	97½
New Bruns. Prov. 8¾pc '83	99½	100½
New Zealand 8¾pc 1986	96	96½
Nordic Inv. Bk. 7¾pc 1984	94½	95½
Norsk Hydro 7¾pc 1982	96	96½
Norway 7¾pc 1982	95	96½
Ontario Hydro 8pc 1987	94	94½
Singer 8¾pc 1982	100½	101
S. of Scot. Elec. 8¾pc 1981	98½	99½
Sweden (K'dom) 7¾pc 1982	96	96½
Swedish State Co. 7¾pc '82	96	96½
Tabnex 8¾pc 1984	96½	96½
Tenneco 7¾pc 1987 May	92½	93
Volkswagen 7¾pc 1987	93½	94½
STERLING BONDS		
Allied Breweries 10½pc '90	88½	89½
Citicorp 10pc 1993	91	92
Courtaulds 9½pc 1989	88½	89½
ECS 9½pc 1989	94½	95½
EIB 9½pc 1988	94½	95½
EIB 9¾pc 1992	93½	94½
Finance for Ind. 9¾pc 1987	90½	91½
Finance for Ind. 10pc 1989	91½	92½
Fisons 10½pc 1987	95½	96½
Gestetner 11pc 1988	92½	93½
INA 10pc 1988	91	92
Rowntree 10½pc 1988	88	89
Sears 10½pc 1988	89½	90½
Total Oil 9¾pc 1984	91½	92½
DM BONDS		
Asian Dev. Bank 5¾pc 1988	96½	97½
BNDE 6¾pc 1988	96½	97½
Canada 4¾pc 1983	98	99½
Den Norske Id. Bk. 6pc '90	99½	100
Deutsche Bank 4½pc 1983	97½	98½
ECS 5¾pc 1990	95½	96½
EIB 5¾pc 1990	95½	96½
Elf Aquitaine 5¾pc 1988	95	95½
Euratom 5¾pc 1987	98	98½
Finland 5¾pc 1986	97½	98½
Forsmarks 5¾pc 1990	97½	98½
Mexico 6pc 1985	96½	97
Norcem 5¾pc 1989	100	100½
Norway 4½pc 1983	99½	100
Norway 4¾pc 1983	97	97½
PK Banken 5¾pc 1988	96	96½
Prov. Quebec 6pc 1990	96½	97½
Rautaruukki 5¾pc 1988	95	95½
Spain 6pc 1988	96	96½
Trondheim 5¾pc 1988	96½	97½
TVO Power Co. 6pc 1988	97½	98
Venezuela 6pc 1988	97½	98
World Bank 5¾pc 1988	98	98½
FLOATING RATE NOTES		
Bank of Tokyo 1984 8¼pc	[illegible]	[illegible]
BFCE 1984 8⅝pc	[illegible]	[illegible]
BNP 1983 8¼pc	[illegible]	[illegible]
BOE Worms 1983	[illegible]	[illegible]
CCF 1983 8¾pc	[illegible]	[illegible]
CGMF 1984 8 11/16pc	[illegible]	[illegible]
Creditanstalt 1984 8⅝pc	[illegible]	[illegible]
DG Bank 1982 7 13/16pc	[illegible]	[illegible]
GZB 1981 8⅛pc	[illegible]	[illegible]
Intl. Westminster 1984 8pc	[illegible]	[illegible]
Lloyds 1983 8 11/16pc	[illegible]	[illegible]
LTCB 1985 8pc	[illegible]	[illegible]
Midland 1987 8⅜pc	[illegible]	[illegible]
Nat. Westminster Bk. 1990	[illegible]	[illegible]
OKB 1983 7¾pc	[illegible]	[illegible]
SNCF 1985 8⅞pc	[illegible]	[illegible]
Stand. and Chtrd. '84 8⅞pc	[illegible]	[illegible]
Wms. and Glyn's '84 8⅞pc	[illegible]	[illegible]
Source: White Weld Securities.		
CONVERTIBLES		
American Express 4¼pc '87	[illegible]	[illegible]
Ashland 5pc 1988	[illegible]	[illegible]
Babcock & Wilcox 6½pc '97	[illegible]	[illegible]
Beatrice Foods 4¼pc 1992	[illegible]	[illegible]
Beatrice Foods 4½pc 1992	[illegible]	[illegible]
Beecham 6½pc 1992	[illegible]	[illegible]
Borden 5pc 1992	[illegible]	[illegible]
Broadway Hale 4½pc 1987	[illegible]	[illegible]
Carnation 4pc 1987	[illegible]	[illegible]
Chevron 5pc 1988	[illegible]	[illegible]
Dart 4¾pc 1987	[illegible]	[illegible]
Eastman Kodak 4½pc 1988	[illegible]	[illegible]
Economic Labs. 4¼pc 1987	[illegible]	[illegible]
Source: Kidder, Peabody Securities.		

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

State releases part of Manufrance aid package

BY DAVID WHITE

PARIS, June 13.

THE FRENCH Government has granted a *temporary reprieve in the form of loan funds for Manufrance*. But the future of the company, whose losses have soared over the last three years to more than FFr 100m ($22m) in 1977, *is still far from guaranteed.*

M. Rene Monory, the Economy Minister, has agreed *to release* between FFr 5m and FFr 8m of a FFr 20m loan conditionally earmarked for the *company from* the Government's economic and Social Development Fund.

The decision was greeted *with* satisfaction by M. Francois Gadot-Clet who took over in March as chairman of Manufrance, despite the restrictive nature of the Government's concession and the fact that no mention was made of a further FFr 20m he wants to borrow.

The loan will, however, serve to alleviate Manufrance's immediate payments difficulties, while the authorities are to intervene with a pool of banks which have been blocking payments *worth an estimated FFr 36m.* It is also taken as token endorsement of the company's restructuring plan *which includes making* over a tenth of the workforce redundant.

Out of a workforce which over the past three years has dropped by a quarter to just under 3,000, *334 are to lose their jobs and* another 30 retired early.

The restructuring plan, approved by a majority of shareholders involves setting up a holding company and dividing *the group's operations into three* separate parts—its shooting publication "Le Chasseur Francais" mail order and retail activities and manufacturing which is mainly of small arms and bycycles. The company has also pledged to renegotiate some social benefits judged exhorbitant by the Ministry.

The success of the plan now depends on finding a private sector partner or partners ready to make a firm commitment to boosting Manufrance's finances.

The re-organisation of the Group's activities has run into the formidable opposition of M. Joseph Sanguedolce Communist mayor of Saint-Etienne. The town is the biggest shareholder *with* a stake of around 30 per cent and two of the six seats on the board. The Communist led CGT union estimates that, including a large number of small-sub-contractors Manufrance is *responsible for 15,000* jobs in the area.

M. Sanguedolce was also hostile *to the outcome of the chairman's* meeting with the economy Minister. The funds released, he said, would only serve to prevent the company dying straight away.

ASEA to acquire Sao Paulo Electric

By William Dullforce

STOCKHOLM, June 13.

ASEA, the Swedish heavy electrical engineering and nuclear power group, is taking *over the Sao Paulo Electric* motor operations of the Brazilian company ARNO SA. The purchase forms part of ASEA's plan to reorganise its activities in Brazil, where it is bidding for a Skr 2bn ($435m) contract for the high-tension transmission network linked to *the giant Itaipu hydro-electric* project.

ASEA had a 38 per cent stake in *ARNO, which it sold* to Electrolux at the beginning of the year. ARNO was producing *many products, such as* electric household equipment, which were outside ASEA's interests but fitted much better into the Electrolux range.

Now ASEA has bought out, *for an undisclosed price,* that part of ARNO which suits it and has the opportunity to develop electric motor production in a way it could not do as a minority shareholder in ARNO. The motor operations will be merged with ASEA Industrial SA.

***The capital stock of this* company and ASEA's other Brazilian Company ASEA Electrica SA, which makes transformers, will be owned by a new holding company, ASEA Participacoes.**

Swiss bond issues slow

By Our Financial Staff

THE BOND timetable for the domestic market in Switzerland for the third quarter of this year suggests that a significant slowdown in new issue activity is about to take place.

New borrowing in the July-August period will raise just SwFr 1bn ($530m) or very nearly 40 per cent less *than* the calls made on the bond market during the third quarter of 1977. The current, *second* quarter is due to raise SwFr 1.2bn.

Taking in the traditional *summer lull, the third quarter* is invariably a quieter period for the financial markets. Even *so it is clear that the increasingly* liquid Swiss investing institutions find local yield levels unattractive. *For eight and nine* year paper, average yields are 3½ per cent for blue-chip borrowers.

MEDIUM TERM CREDITS

$150m 'club' loan for Austria

BY FRANCIS GHILES

IN A "club" deal with nine banks (Creditantsalt Bankverein, Girozentrale, Osterreichsche Landerbank and Genossenschaftliche of Austria, together with Crédit Lyonnais, Deutsche Genossenschaftbank, Amsterdam Rotterdam Bank, Sumitomo and First Chicago) the Republic of Austria has raised $150m for 12 years, with five years' grace, on a split spread of ¾ per cent for the first 10 years, rising to ⅞ per cent.

These very fine terms did not please all banks; some of which refused to participate, but overall there was no problem—in fact, quite the reverse. The *amount raised by the Republic* could have been increased with ease.

Spanish borrowers remain active: Enpetrol, the INI controlled oil company, is raising $60m for ten years with four years' grace on a spread of ⅞ per cent throughout. No guarantee has been provided to the four banks which are arranging this deal—Chase Manhattan, Deutsche Bank, Manufacturers Hanover and Bankers Trust International.

Another Spanish borrower raising money is Instituto de Credito Official. West Deutsche Landesbank has been mandated *to arrange a $150m loan for* ten years with four years' grace on a spread of ⅞ per cent, for the first four years rising to ⅞ per cent for the remainder.

On the southern Mediter-*ranean shores, Algeria continues* to be a very active raiser of funds. Gulf International Bank has just been mandated to raise $100m at least for seven years on a split spread of 1¼ per cent for the first three years, rising to 1⅜ per cent.

Three features of this operation are of interest. The majority of the banks in the management group are Arab institutions; the Arab Monetary Fund is present in a management group for the first time; and the borrower has agreed to a penalty clause for prepayment. This is likely to prove popular with banks because so many countries are taking advantage of soft market conditions prevailing today to prepay loans contracted in the past few years early and refinance them on cheaper terms.

Algeria was noteworthy for resorting to this practice as far back as 1976. The inclusion of this clause in the contract has *enabled the lead manager to* improve on the terms it is able to offer Algeria: a spread of 1¼ *per cent for part of the* maturity is the best Algeria has obtained in the market in the present cycle.

America-Valor payment

BY JOHN WICKS

AMERICA-VALOR, an investment fund for U.S. securities *administered by the Swiss Bank* Corporation subsidiary Interfonds, is to remain at SwFr 12 *for the year ended March 31,* meaning a rise in dollar terms from $4.72 to $6.42. The fund, *which also includes a small share* of Canadian stock, booked profits of SwFr 0.91m for the year *against SwFr 0.88m. Its port*folio value dropped from SwFr 31.8m to SwFr 24m and certifi*cate circulation rose from 72,451* to 77,588 units.

Intervalor, an international *portfolio fund administered* by the same company, has cut its Swiss franc dividend from SwFr *2 to SwFr 1.90 for the year ended* April 30. Nevertheless, this means a rise in dollar distribu*tion from 79 to 98 cents per cer*tificate. Net profits fell from SwFr 2.3m to SwFr 1.87m for the *year, portfolio holdings from* SwFr 76.7m to SwFr 55.3m and certificate circulation from 1.21m to 1.08m units.

PROSPECTS AT PHILIPS

A host of golden variables

BY BILL COCHRANE

BACK IN mid-April, the 1977 annual report from Philips, the Dutch-based multinational electrical group, disclosed that the West German stake in its equity had risen from 8.8 per cent to 14.8 per cent over the year. The question, then and now, was whether *this* German initiative was clever money, patient money, or both.

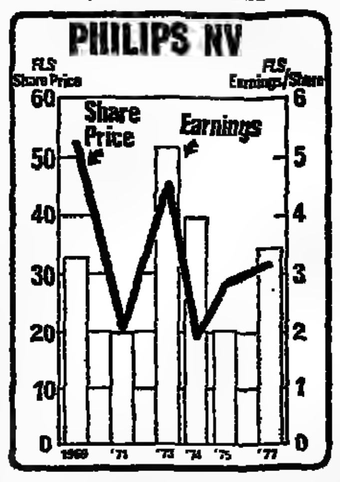
The *Commerzbank, one of* Germany's "Big Three" commercial banks as well as one outlet for *this slice of net* disposable capital, had the impression that the money was both *clever and patient.* An impression, because the Deutsche Marks came from private investors *primarily influenced by investment* letters: "not tip-sheets, you understand," said the *Commerzbank.* "*they're much more* respectable than that."

Certainly, Philips as an invest*ment looks like a pretty respect*able gamble. There are quite a number of variables in the equation, and the enthusiast can take a favourable view of most of them. A selection follows

● Share price: see chart. The share price line reflects extremes, highs and lows in particular years—which coincided neatly with the group's earnings performance in the late 1960s and early 1970s, and actually anticipated it in 1974. The relative absence of volatility since 1975 might be taken as a bad omen. This year, the price was Fls25.50 in April, Fls25.70 in May and Fls26.60 last night. There may seem little joy for the enthusiast there but our enthusiast, remember, is a patient man.

● Currency swings: with only a quarter of gross deliveries in the Netherlands last year, the relative strength of the guilder was one reason why sales rose by only 2.2 per cent to Fls31.16bn last year—and why margins were squeezed, leaving pre-tax profits 7½ per cent lower at Fls1.186bn. Apart from the squeeze on operating margins, Philips had to provide for the currency effect on overseas assets expressed in guilder terms. This boiled down to a provision of Fls308m pre-tax, and Fls240m net against the ultimate earnings figure of Fls634m.

● Productivity: Philips presents itself as a benign multinational, and the reduction in its employees from 391,500 to 383,900 in the year to last December reflects the difference between some 40,000 arrivals and 48,000



departures. But the total has fallen consistently *from 412,000 at the end of 1974.* Philips needs a useful increase in volume sales *to improve productivity effec*tively; but after a growth rate of only 7 per cent compound in value terms over the past three years, there ought to be some upside potential.

● *Product growth areas:* Philips sees relatively rapid growth in computer systems, car radios, VCRs *(though video-cassette* recorders start from a low base), while, for the colour TV industry as a whole, it sees volume growth of 7 to 8 per cent this year. But with a lot of flat areas in the commercial and industrial sectors, the overall sales picture is not particularly inspiring. We must remember to be patient.

● Financial management in 1977, stocks as a percentage of sales were 29.6 per cent. Philips is acutely aware that an improvement of five percentage points would wipe out its debt—and that net interest charges accounted for slightly more than one third of profits before tax and interest last year. It also acknowledges, however, that the quality of information from the centre outwards will have to match that from the production lines inwards, before any such improvement is possible.

The ultimate variable, however, is the 1978 earnings forecast itself: " . . it will be a great challenge . . ." said Philips "to achieve any substantial improvement in profitability." And that means at net level. However, it is the word "substantial" that leaves room for hope. In its benign multinational role, Philips has rejected the *maximisation of profit* but neither is it keen on minimisation, and it stays on record as *aiming for a minimum 4 per* cent return on sales against the 2.2 per cent of 1977. There are *new arrivals on the Board of* management at top level. Outside observers reckon that they have both the will and the ability to achieve the 4 per cent target.

Higher premium inflow for Austrian insurers

BY PAUL LENDVAI

VIENNA, June 13.

ERSTE ALLGEMEINE, the leading Austrian insurance company, reports a 14.4 per cent rise in premiums to Sch 6.26bn ($418m) in 1977.

Direct business in Austria accounted for Sch 2.95bn. The company is involved in insurance business in West Germany, Holland and Switzerland and is also engaged in reinsurance. An unchanged dividend of 10 per cent is proposed.

However, the higher than average rise in premiums was accompanied by a steep rise in damages, particularly in car insurance. Total expenditure was Sch 3.5bn., with the car sector accounting for Sch 1.5bn.

Fire insurance business improved on the results for 1976 but in West Germany, the company experienced setbacks. House insurance premiums in Austria were up from Sch 349m to Sch 376m. The company decided to increase basic capital by Sch 20m to Sch 270m.

Another Austrian insurance company, Interunfall, has announced an unchanged dividend for 1977 of 10 per cent on its Sch 100m capital. Net profit was Sch 13m. Premiums rose *last* year by 10.3 per cent to Sch 2.7bn, with income in Austria up by 11.8 per cent and *in* West Germany by 7.2 per cent. Operating revenues increased *from Sch 137m to Sch 149m.* Interunfall raised its total resources to Sch 251m by *allocating Sch 20m to invest*ment reserves and Sch 22m to free reserves. The car sector *accounted for half of the* premium income.

Anglo-Elementar increased its *premium income* by 4.2 per cent to Sch 1.4bn last year. Domestic business expanded by *6.1 per cent. Losses were regis*tered in car, industrial fire and household insurance business.

Interest income was up by 19 per cent. to Sch 185m. After the allocation of Sch 24m to the *reserves, and Sch 27.5m to* investment, net profit was Sch 7.8m.

An unchanged dividend of 10 per cent and a 2 per cent bonus (same) is announced on the Sch 60m basic capital. The company is owned by West Germany's Allianz Versicherung, which took over 96 per cent of the capital last year from Commercial Union.

Gain at Condotte d'Acqua

ROME, June 13.

CONDOTTE D'ACQUA, the Italian State-owned engineering group, recorded net profits of L12bn ($1.4m) for 1977, up from L976m the previous year.

Turnover amounted to L442bn, a 44 per cent rise on 1976. The company will pay a L32 dividend, L2 more per share than the previous year.

The Board has already announced plans for an increase in capital to L24.5bn from L7bn.

Condotte d'Acqua intends also to launch a convertible bond issue of L14bn.

Meanwhile, Compagnia di Navigazione Alta Italia (NAI), *announced a balance sheet loss of L26.9bn ($31.3bn) for 1977* against a no profit-no loss balance the previous year.

NAI has decided to cover L11.4bn of the shortfall by drawing funds from special reserves and to put the remaining loss on the new balance sheet.

It blamed the continuing world shipping crisis, depressed freights and heavy financial burdens on borrowed money for the severe 1977 deficit.

The shipping concern said that by the end of 1977, its indebtedness amounted to L194.2bn of which L133.8bn was medium- and long-term and the balance short-term.

AP-DJ

SOUTH AFRICAN INVESTMENT

More freedom for the institutions

BY RICHARD ROLFE IN JOHANNESBURG

THE SOUTH AFRICAN Minister of Finance, Mr. Owen Horwood, has supplied adidtional stimulation to the convalescent domestic economy with a surprise move to increase the amount of discretionary funds in the hands of the financial institutions. The "prescribed asset requirements" which the financial institutions have to hold in Government and public corporation fixed interest stocks have been reduced by 2 per cent to 50 per cent and estimates suggest that about R350m (US$ 400m) of funds at present invested in public debt can now be made available to the private sector.

This concession partly rolls back the demands made on the financial institutions—primarily the long-term insurers and pension funds, but also the building societies, short-term insurers and the banks—in the Budgets of 1976 and 1977, when in an effort to meet financing needs without resorting to higher taxation, the Minister raised the prescribed asset requirement. It went up by 2 per cent in 1976 and 3 per cent in 1977, but was not touched in the 1978 Budget.

The effect of the 1976 and 1977 increases was felt most markedly in the industrial share market, where investment by the long-term insurers and pension funds became little more than a residual item. In 1976, only 10 per cent. of these institutions' cash flow was invested in equities and the level was down to 8 per cent. in 1977 as the institutions bought gilts to top up their holdings to the prescribed level.

Before the reduced requirement announced late last week, the general expectation among fund managers was that institutional investment in equities during 1978 would be restored to a more normal 15 per cent. of cash flow, suggesting that about R300m. would find its way into the stock market, or double the 1977 level. But while the industrial market has had a good run over the past year, improving from 176 to 226 on the key Rand Daily Mail 100 Index, institutions have not bid aggressively for stock.

In the gilt-edged markets, however, conditions have been much more hectic and the first fixed interest bull market in years has driven long-term rates down sharply. The July issue of long-term Government (RSA) stock will be at 10.5 per cent compared with the peak last year of 11 per cent while the decline in the widely-traded Electricity Supply Commission (Escom) issues and municipal loan stocks has been even more pronounced, the latter falling from 13 per cent to just over 11 per cent.

Only a few weeks ago, the construction group Murray and Roberts raised 14-year money at 12.6 per cent and capital markets sources believe another blue chip name could now raise long-term funds at under 12 per cent. This compares with the prime rate for bank borrowings of 12.5 per cent and suggests that the pressure is building up to lower the whole interest rate structure, although the recent rising trend of interest rates in the UK and U.S. will be an important constraint.

Even so, most fund managers believe the decline in domestic interest rates has not yet run its course and from this it follows that they will be reluctant sellers of their gilt and semi-gilt portfolios. The timing of the reduced prescribed assets requirement coincides with a period when the financial institutions are voluntary buyers of Government stock and are effectively forcing interest rates down because of the stock shortage.

The fall in yields has been mirrored in the equity market where the average dividend yield has fallen from 11.9 per cent a year ago to 8.8 per cent this week with a number of leading industrial stocks standing at 50 per cent or more above their 1977 share price lows.

The cut in the prescribed asset requirements of the South African financial institutions announced last week has freed an estimated R350m for switching from the public sector to private at a time when the markets in both fixed interest stocks and industrial shares are strong. With turnover in equities running at about R15-20m a week, it can be argued that some R300m of additional funds likely to be ploughed primarily into equities this year will be absorbed only against the background of rising share prices—so that the additional R350m now available for private sector investment will not be switched rapidly out of gilts.

With turnover in equities running at about R15-20m per week, including trade in De Beers and gold shares as well as industrials, it is clear that even the R300m of additional funds likely to be ploughed primarily into industrials this year will only be absorbed against the background of rising share prices. Hence the additional R350m now freed for private sector investment will not be switched rapidly out of gilts and semi-gilts, though its availability will probably underpin the industrial share market.

This leaves open the question of where ultimately the finance houses will invest the discretionary portion of their cash flows, now rising at a compound rate of 15 per cent. Property investment, whether directly into central business district projects or indirectly into leasebacks, is at a low ebb; there are few large loan stock issues in the pipeline; and there is no sign yet of an aggressive approach to equities. Direct investment in the next generation of mining projects, particularly where energy-related, may be one answer.

The R350m concession on prescribed asset holdings brings to R1.5bn the total of stimulatory measures anounced in the past eight months, starting with R250m of public expenditure on housing projects late last year. Tax cuts in the budget added a further R300m, finance for the Budget deficit via the stabilisation fund another R250m-R300m and the relaxation of bank credit ceilings about the same. These moves have all provided a more confident climate.

Volkskas boosts earnings and payout

By Richard Rolfe

JOHANNESBURG, June 13

FURTHER strength in banking profits in South Africa in the year to March is shown in the results from Volkskas, the third biggest South African bank, which has announced a rise in taxed profit from R15.2m to R16.8m ($19.4m) after undisclosed transfers to reserve. Earnings per share rose from 70 cents to 78 cents and with a 1 cent rise in the final dividend to 12.5 cents, the dividend total for the year is up from 20 cents to 22 cents.

Last week Stanbic, the local arm of Standard Chartered, reported a return to growth in operating profits—up 42 per cent to R54.5m — and raised its dividend from 22.5 cents to 28 cents. Volkskas, which is centred in the Transvaal and has strong links with government, the municipalities and the public corporations, is the main Afrikaner banking institution — with the Rembrandt Group since last year being the biggest shareholder, though lacking Board representation.

Volkskas has acquired various industrial subsidiaries over the years, the recent performance of which has tended to offset strong profits growth by the banking interests. These industrial interests consist chiefly of Transvaalse Suiker Korporasie, a sugar producer, and TMF, an ingot and die-casting business. To these has recently been added control of the troubled industrial holding company Bonuskor, in which Volkskas has 62 per cent and the operating arms of which include forestry, tea estates, and distribution of earthmoving equipment and motor cycles.

Despite Bonuskor's subsidiary status, its results which showed a loss of R2.2m, have not been consolidated with the latest Volkskas accounts. The Volkskas Board, to cover the increasing diversity of its interests, has decided to establish a new "controlling company," in which similar interests on the industrial side will be grouped together and which will also hold the banking subsidiaries. Total group assets, it is disclosed, rose from R2.6bn to R2.9bn last year.

Stalemate in Conoco talks with Petronas of Malaysia

BY WONG SULONG

KUALA LUMPUR, June 13.

THE ANNOUNCEMENT last week by Continental Oil Company (Conoco) that it is closing its office in Kuala Lumpur, confirms recent speculation that its negotiations on a production sharing agreement with the Malaysian oil company, Petronas, has reached deadlock.

After more than two years of unpublicised, but nevertheless tense negotiations, both sides show no sign of giving way.

Conoco says that it is closing its office because the state of talks does not warrant the maintenance of such an office, but hastens to add it has not given up hope altogether of reaching an acceptable agreement with Petronas.

The dispute is centred on whether the Conoco field in the South China Sea is a profitable one.

Conoco, and its two junior partners, El Paso of Texas and Australia's Broken Hill Proprietary (each with a 25 per cent interest in Conoco's Malaysian operations) were given a 24,000 sq. mile concession off the Pahang coast, 10 years ago.

In 1972 the consortium struck oil, and gas in an area known as Sotong, 120 miles from the coast. The strike appeared to be a very promising one with the rate of flow at 5,000 barrels a day. But after more thorough surveys, it was found that the field was rather small.

With the formation of Petronas in 1974, the concession system was abolished, and foreign oil companies were required to enter into production sharing agreements with the Malaysian oil company.

After protracted negotiations, and much acrimonious arguments, two foreign companies—Shell and Exxon—managed to sign a 20-year agreement with Petronas at the end of 1976, which gave them about 41 per cent of the oil produced.

The two companies are now in full swing with their exploration and production work; and, in March, Shell and its partner Mitsubishi concluded another agreement with Petronas to build a U.S.$1bn liquid natural gas plant in Sarawak.

But the situation is different with the Conoco-El Paso-BHP consortium. Having found what it claims to be a marginal field, it wants a more attractive deal than was given to the two other companies. This has been flatly rejected by Petronas.

There are three main reasons for Petronas' tough stand. First, it does not believe that the Conoco find is marginal. There are claims that the Sotong area has about 20m barrels of recoverable oil. Petronas thinks that it has more than 50m barrels, as well as large deposits of gas.

It has told the consortium that if it is worried about losses, Petronas is prepared to participate in the venture so that if Sotong proves to be loss-making, Petronas would suffer as well.

However, negotiations on this proposal failed, apparently because Petronas, among other things, demanded a 50 per cent share in the venture.

The Malaysian oil company is also disputing the consortium's claim that it had spent US$100m on exploration work—money which it wants to recover from oil to be produced.

The second reason is that Petronas is in no hurry to exploit the Sotong field. Between Shell and Exxon, Malaysia is producing more than 200,000 barrels of oil daily, and output is expected to reach 400,000 barrels or more by 1983.

Malaysia is finding it difficult to absorb the extra petro-dollars into the local economy without fuelling inflation and pushing up the already very high liquidity among Malaysian banks. Oil revenue, therefore, is being invested overseas to shield the local economy from these effects.

Finally, there is a clause in the agreement with Exxon that there would be renegotiations should another company be granted a more favourable production sharing agreement.

"We are in no hurry to get the oil out," says a Petronas official. "Malaysia's oil reserves are not very large, and therefore we are giving serious thought to the conservation of this asset for as long as possible, instead of pumping it quickly."

Within this context, even Conoco's argument that the long delay, coupled with the soaring cost of oil equipment, is undercutting the profitability of the Sotong field fails to convince Petronas of the need for an early settlement of the dispute.

Tan Chong Motors optimistic

BY OUR OWN CORRESPONDENT

KUALA LUMPUR, June 13.

TAN CHONG MOTORS, the Malaysian and Singapore assembler and distributor of Datsun cars, expresses optimism in its annual report that the strong profits of last year would be maintained in the current year as a result of the continued buoyancy of the Malaysian market.

Datuk Tan Yuet Foh, the chairman, says that the company's assembly plant outside Kula Lumpur, is now working at full capacity and plans are under way to expand facilities to meet the increasing demand for Datsun cars.

Last year's pre-tax profits rose by 170 per cent to 20.2m ringgits (U.S.$8.4m), with sales rising 61 per cent to 211m ringgits (U.S.$88m). Car sales rose by 42 per cent to 9,600 units in Malaysia, while in Singapore there was a rise of over 200 per cent to 4,000 units.

The Singapore sales are expected to slow down, following the introduction of new car taxes, but the Malaysian side is seen as bright, with no Government action to dampen sales, although the rise in the yen could have some marginal effects.

Datuk Tan says that efforts are being made to diversify into distribution of machine tools, car spare parts and cosmetics, but future profitability is dominated by Datsun cars. The company is confident of maintaining the higher dividends it is paying this year.

* * *

United Malacca Estates Berhad, the plantation group controlled by the family of Tun Tan Siew Sin, has sold 1.29m of its 5.15m shares in Consolidated Plantations for 2.1m ringgits (US$75,000), Wong Sulong writes from Kuala Lumpur.

The sale will realise a profit of 1.5m ringgits, which will be shown in the results for the current year to April 30.

Tun Tan is the chairman of Sime Darby holdings as well as of Sime's subsidiary, Consolidated plantations.

Haw Par sees profits in 1978

SINGAPORE, June 13.

Haw Par Brothers International, which reported a reduced group net loss of S$3.13m (US$1.3m) for 1977, against a loss of S$48.20m in 1976, expects to be in profit this year.

Although the first months of the year will be poor, as a result of marine division losses, there will be a pick-up later as such losses are reduced and other divisions improve, according to the company's annual report.

Every division of the group except the marine produced profits last year, totalling S$13.6m, compared with a loss of S$9.3m previously, but the recovery in trading, textiles and pharmaceuticals was offset by the marine division's S$11.2m loss (against a $5.1m loss in 1976).

A swing in extraordinary items from a loss of S$35.64m in 1976 to a gain of S$2.19m in 1977 played a major part in the improvement in the net figure. The pre-tax loss was S$2.34m, compared with S$9.77m.

Haw Par said that steps have been taken to correct the marine division position, but that it will not return to profit in the current market.

The Board's policy is to continue the profitable build-up of main operating divisions, expand into new products and areas and improve the rate of return on assets.
Reuter

Petra Bank starts operations

BY RAMI G. KHOURI

AMMAN, June 13.

THE THIRD new commercial bank licensed by the Central Bank during the past year with a joint shareholding between Jordanian and Gulf interests has opened its doors here.

The Petra Bank, with a subscribed capital of 3m Jordanian Dinars ($9m) and a paid-up capital of JDn 1½m opened its main branch in the centre of Amman. It aims to concentrate on short-term trade financing for the time being, according to its general manager, Dr. Ahmad Chalabi.

Dr. Chalabi also said, however, that Petra Bank plans to reach out soon into investment banking, trust management and project financing as well, both in Jordan and throughout the Arab world.

Petra Bank is also likely to promote more efficient retail banking throughout the traditional and conservative Jordanian banking system, as it is the first bank to introduce on-line computerised retail banking services in the country.

The bank is using a Burroughs B1800 computer system, which is also being considered by other banks in Jordan, according to officials of the computer company.

The Petra Bank's equity is held 60 per cent by Jordanians and 40 per cent by other Arab interests, notably Kuwaiti, Saudi Arabian and Abu Dhabian investors. The Middle East Banking Company—Mebco Bank —of Beirut and Mebco's Swiss subsidiary, Socofi, hold a 20 per cent shareholding.

Petra Bank follows two other commercial banks, the Jordan-Kuwait Bank and the Jordan-Gulf Bank, both of which have a similar shareholding split with 60 per cent equity in Jordanian hands and both of which started operations here during the past six months.

Petra Bank brings to 15 the number of commercial banks now operating in Jordan, including eight branches of Arab and Western banks. The country's first merchant banking institution, the Arab-Jordanian Investment Bank, also started operations in April this year. Its capital of JDn 5m or about $15m is similarly held as to 60 per cent by Jordanians and 40 per cent by Gulf interests.

Senior officials of the Central Bank of Jordan have told the Financial Times that "Jordan now has enough commercial banks" and the only new commercial banks that will be opened would be branches of Arab banks established here on a reciprocal basis with Jordanian banks opening new branches in the concerned Arab country.

New branches of non-Arab banks in Jordan are ruled out, though the Central Bank is interested in attracting representative offices of international banks. Five such offices have been licensed recently, Central Bank sources say, though none have indicated any urgency about starting operations.

The emphasis of the central banking authorities here now is on encouraging the opening of branches of existing banks throughout the country, and licensing more merchant banks and investment companies dealing with long-term or medium-term financing and underwriting business.

There have been firm indications that all three of the new commercial banks opened this year with minority Gulf shareholdings will set up their own wholly-owned investment companies, although this has not happened to date.

Tooth raises its dividend

By James Forth

SYDNEY, June 13.

TOOTH, the major New South Wales brewer, has raised its dividend after a 12 per cent increase in earnings for the year to April 1. Profit rose from A$12.6m to A$14.1m (US$16m). The dividend is increased from 11.5 cents a share to 12 cents.

The higher profit was largely the result of an improved performance by its wine subsidiary, Penfolds, and the directors expect better results from this operation. Beer profits lagged but the Board is hopeful that the recently announced acquisition of Courage Breweries will enable the group to lift production to meet existing demand, and thus increase profits.

The profit increase lagged well behind the growth in sales, which rose 44 per cent to A$228m (US$258m).

Al-Alamiya Insurance

By Our Financial Staff

Al-Alamiya Insurance Company, the Saudi Arabia company managed and partly owned by Sun Alliance and London, reports that it made good progress in its first year's trading. Branch offices have been opened in Riyadh, Jeddah and Dammam.

The chairman, Sheikh Wahib Said Binzagr, stresses that, while progress in 1977 was encouraging, selection of business remains a matter for care if the necessary underwriting profits are to be obtained.

Severe competition on rates, plus large claims which match the complex risks, have made it all the more important to maintain realistic premium levels, he sdys. In Al-Alamiya's case, the fire, marine and accident result showed a good profit.

ASEAN plans reinsurance venture

BY OUR OWN CORRESPONDENT

KUALA LUMPUR, June 13.

THE newly-formed Insurance Council of the Association of Southeast Asian Nations (ASEAN) plans to set up an ASEAN reinsurance company to be financed jointly by insurance companies in the ASEAN countries.

The president of the Malaysian Insurance Association, Mr. Taib Razak, said that such a project would cut down the large amount of reinsurance that ASEAN insurance companies placed outside the region.

In the case of Malaysia, a sum of 60m ringgits in reinsurance money was placed overseas, principally in London, in 1975, 75m ringgits in 1976 and 87.5m ringgits last year, representing 21.5 per cent of gross premium income.

Mr. Taib, who is a vice-president of the ASEAN Insurance Council, said that a feasibility study on the ASEAN reinsurance company was being made, and member companies would review the proposal at its next meeting in Kuala Lumpur early next year.

هكذا من الأصل

The Peugeot 604 TI–A Thoroughbred

The Peugeot 604 TI and the racehorse have many things in common. Poise, dignity and immaculate breeding are some of them. Speed, power and style are others.

But, whilst only the privileged few can afford to own a racehorse, the well-priced 604 TI is in reach of many. Unlike the racehorse which is rather a delicate creature, the car is tough and reliable as well as elegant. Tough and reliable because it's designed that way. For as befits a thoroughbred, only the best is good enough; highly skilled designers and engineers, first class materials, and the most advanced manufacturing technology all combine to produce this true thoroughbred.

The oversquare 2.7 litre V6 engine is built from lightweight aluminium, and has twin camshafts for maximum flexibility. The benefit of using light-weight materials is reflected in the excellent fuel consumption figures (33 mpg at a constant 56mph*). Technically it's at the head of the field taking full advantage of the latest developments. The Bosch K-Jetronic fuel injection system accurately meters the fuel/air mixture to increase power and reduce petrol consumption. The electronic ignition system ensures super smooth starting, and the 5-speed manual gearbox means even smoother, quieter, more economical driving, especially at high speeds. Or, for those who prefer, there's the option of a 3-speed automatic gearbox.

Comfort is naturally of the highest level and the specification of the 604 TI leaves little to be desired; 4 electrically operated windows, subtly tinted glass all round, electrically operated sunroof, power assisted steering, centralised pneumatic door locking system, rear fog lamps and a super deep lustre metallic paint finish to the body with a final coat of clear protective lacquer. The interior is as luxurious as you'd expect and where the 604 really scores is in its spaciousness. As Car magazine said, "rear leg room is almost to limousine standards."

The 604 SL (carburettor model) has always been competitively priced. The 604 TI, with fuel injection and other refinements, represents, at £7582, a first class investment.

And the 604 thoroughbred won't cost you a fortune to run. It's frugal with petrol as we've shown, but in addition it requires main servicing only once a year, or 10,000 miles (with intermediate check and oil change every 6 months or 5,000 miles). The 604 TI is also covered by Peugeot's straight-forward 12 month, unlimited mileage guarantee, and first-class service is assured by our network of fully trained Dealers across the U.K.

Let us tell you more about our thoroughbred–send now for details on the 604.

Model	Manual 5 speed gearbox			Automatic gearbox		
Fuel Consumption*	Constant 56mph	Constant 75mph	Simulated urban driving	Constant 56mph	Constant 75mph	Simulated urban driving
	33.2mpg (8.5 l/100km)	26.1mpg (10.8 l/100km)	16.8mpg (16.8 l/100km)	27.4mpg (10.2 l/100km)	22.4mpg (12.6 l/100km)	16.7mpg (16.9 l/100km)
Price Inc. VAT & Car Tax Delivery & No. Plates Extra	£7581.60	Leather seats, air conditioning £8522.28		£7903.35	Leather seats £8243.82	Leather seats, air conditioning £8787.87

*In accordance with official government testing procedures.
Prices correct at time of going to press.
Clothes by Ted Lapidus.
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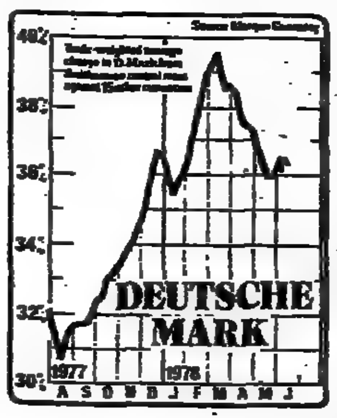
Conditions in yesterday's foreign exchange remained very subdued throughout the day. The U.S. dollar showed a general improvement against other major currencies apart from the Japanese yen. The dollar may have received a boost from U.S. Federal Reserve Board chairman G. William Miller's statement that the authorities were deeply committed to maintaining a stable and strong dollar. Nevertheless trading was extremely thin and the



currency closed slightly off the top at DM2.0840 from DM2.0795 against the West German mark and FFr 4.58¾ in terms of the French franc. This was unchanged from the previous close and represented the middle of the day's spread after good commercial demand for the franc.

The Japanese yen showed a much stronger tendency against the dollar mainly on fears of a further large trade surplus for May in Japan and closed at Y216.75 from Y217.70.

The Swiss franc also eased in dollar terms to SwFrs 1.8950 against SwFrs 1.8890. Using Morgan Guaranty figures at noon in New York, the dollar's trade weighted average depreciation was unchanged at 3.8 per cent.

Sterling spent a quiet day and its trade weighted index eased slightly to 61.4 from 61.5 having spent the rest of the day at 61.5. In terms of the dollar, the pound opened at $1.8375-1.8385 and at one point reached $1.8410-1.8420 before easing back at the finish to $1.8335-1.8345, a loss of 40 points on the previous close.

Frankfurt: The Bundesbank did not intervene at yesterday's fixing, although the dollar fell to DM 2.0807 from DM 2.0860 at the previous fixing. The opening European rate was around DM 2.0810, and trading was very quiet, with the dollar trading in narrow range. No new factors were influencing trading.

Tokyo: In hectic trading, the dollar closed at Y217.35 against the yen having dipped to a post-war low of Y216.20 at one point. The previous close was Y219.47½ and although there was a slight recovery in later trading, further pressure seemed likely with the opening of European centres. Intervention by the Bank of Japan was not apparent. Volume rose heavily in spot turnover to $629m and $584m in combined forward and swap trading. The authorities announced that trade figures for May due today would now be released on Friday. This gave rise to speculation that the authorities may be waiting a few days in the hope of calmer conditions in the foreign exchange market.

Paris: The dollar fell to FFr 4.5870 at the close, from a high point of FFr 4.5900 against the French franc in fairly calm trading. It was also weaker against Monday's closing level of FFr 4.5930. The French franc was fairly steady against other major currencies, although the Swiss franc rose to FFr 2.4300 from FFr 2.4260 in the morning, and FFr 2.4220 late on Monday. Sterling finished at FFr 8.4250, compared with FFr 8.4380 in the morning, and FFr 8.4400 on Monday afternoon, while the D-mark rose to FFr 2.2050, from DM 2.20475 in early trading, and FFr 2.2030 previously.

Milan: The dollar remained weak, losing ground against the lira at the fixing. Dollars traded amounted to 12.6m, most sold by the Bank of Italy. The U.S. currency fell to L859.4, compared with Monday's fixing of L860.4, but major European currencies tended to improve against the lira. The Swiss franc rose to L434.84 from L433.31, while the D-mark improved to L412.95 from L412.4.

Amsterdam: At the fixing the dollar was Fl 2.2303, compared with Fl 2.2345 on Monday.

THE POUND SPOT

June 13	Bank rate %	Day's Spread	Close
U.S. $	7	1.8330-1.8420	1.8335-1.8345
Canadian $	8½	2.0580-2.0700	2.0660-2.0675
Guilder	4	4.08½-4.12	[illegible]
Belgian Fr.	5½	59.75-60.10	[illegible]
Danish Kr.	8	10.35½-10.40	10.36½-10.38½
D-Mark	3	[illegible]	[illegible]
Port. Esc.	18	83.90-84.25	[illegible]
Span. Pes.	8	145.75-146.75	145.90-146.05
Lira	11½	1,575-1,585	1,575½-1,576½
Nrwgn. Kr.	7	[illegible]	[illegible]
French Fr.	9½	8.41½-8.45	8.41½-8.42½
Swedish Kr.	7	[illegible]	[illegible]
Yen	3½	396-402	398½-399½
Austria Sch	5½	27.30-27.50	27.40-27.50
Swiss Fr.	1	3.46-3.49	3.47-3.48

Belgian rate is for convertible francs. Financial francs 59.85-60.65.

FORWARD AGAINST £

One month	% p.a.	Three months	% p.a.
0.85-0.75c pm	5.23	1.80-1.70c pm	3.82
0.87-0.77c pm	4.94	[illegible]	[illegible]
3¼-2¼c pm	8.05	[illegible]	7.21
47-37c pm	8.62	[illegible]	6.56
[illegible] ore dis	−5.76	[illegible] ore dis	−2.99
[illegible] pf pm	9.41	[illegible] pf pm	[illegible]
15-105c dis	−12.91	[illegible] c dis	[illegible]
40-120c dis	−6.57	145-215c dis	[illegible]
2 lire pm-1 dis	[illegible]	[illegible]	−0.68
[illegible]	[illegible]	[illegible]	1.42
[illegible]	2.48	[illegible]	[illegible]
2 ore pm-par	1.42	[illegible]	1.65
3.60-3.30y pm	10.4	[illegible] y pm	9.03
18-8 gro pm	5.68	47-37 gro pm	[illegible]
[illegible] c pm	11.22	[illegible] c pm	10.50

Six-month forward dollar [illegible] pm, 12-month [illegible] pm.

THE DOLLAR SPOT

June 13	Day's spread	Close
Canad'n $*	[illegible]	[illegible]
Guilder	2.2280-2.2310	2.2300-2.2320
Belgian Fr	32.55-32.605	[illegible]
Danish Kr	5.6325-5.6470	5.6410-5.6425
D-Mark	[illegible]	2.0800-2.0810
Port. Es	—	45.53-45.63
Lira	[illegible]	[illegible]
Nrwgn. Kr	[illegible]	[illegible]
French Fr	[illegible]	[illegible]
Swedish Kr	[illegible]	[illegible]
Yen	[illegible]	[illegible]
Austria Sch	[illegible]	[illegible]
Swiss Fr	[illegible]	[illegible]

* U.S. cents per Canadian $.

FORWARD AGAINST $

One month	% p.a.	Three months	% p.a.
0.05-0.01c dis	−0.25	0.05-0.03c dis	−0.17
[illegible] c pm	[illegible]	2.06-2.01c pm	3.57
8-7c pm	2.63	22.5-21c pm	2.65
—		—	
[illegible] pf pm	4.35	[illegible] pf pm	[illegible]
—		—	
[illegible] lire dis	[illegible]	[illegible] lire dis	−4.15
[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY RATES

June 13	Special Drawing Rights	European Unit of Account
Sterling	[illegible]	[illegible]
U.S. dollar	[illegible]	[illegible]
Canadian dollar	[illegible]	[illegible]
Austrian schilling	[illegible]	[illegible]
Belgian franc	[illegible]	[illegible]
Danish krone	[illegible]	[illegible]
Deutsche Mark	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]
Norwegian krone	[illegible]	[illegible]
Peseta	[illegible]	[illegible]
Swedish krona	[illegible]	[illegible]
Swiss franc	[illegible]	[illegible]

CURRENCY MOVEMENTS

June 13	Bank of England Index	Morgan Guaranty changes %
Sterling	[illegible]	[illegible]
U.S. dollar	[illegible]	[illegible]
Canadian dollar	[illegible]	[illegible]
Austrian schilling	[illegible]	[illegible]
Belgian franc	[illegible]	[illegible]
Danish krone	[illegible]	[illegible]
Deutsche Mark	[illegible]	[illegible]
Swiss franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

	£	$		Note Rates
Argentina Peso	1,417-1,421	772.55-774.60	Austria	[illegible]
Australia Dollar	[illegible]	[illegible]	Belgium	[illegible]
Finland Markka	[illegible]	[illegible]	Denmark	[illegible]
Brazil Cruzeiro	[illegible]	[illegible]	France	[illegible]
Greece Drachma	[illegible]	[illegible]	Germany	[illegible]
Hong Kong Dollar	[illegible]	[illegible]	Italy	[illegible]
Iran Rial	[illegible]	[illegible]	Japan	[illegible]
Kuwait Dinar (KD)	[illegible]	[illegible]	Netherlands	[illegible]
Luxembourg Franc	59.80-59.90	32.58-32.64	Norway	9.80-10.00
Malaysia Dollar	4.38-4.40	2.3865-2.3875	Portugal	77-85
New Zealand Dollar	1.7986-1.8167	0.9790-0.9870	Spain	145-148
Saudi Arabia Riyal	6.29-6.39	3.43-3.48	Switzerland	3.40-3.58
Singapore Dollar	4.27-4.29	2.3268-2.3278	United States	1.82-1.84
South African Rand	1.5875-1.6125	0.8655-0.8795	Yugoslavia	34-37

Rate given for Argentina is free rate.

EXCHANGE CROSS-RATES

June 13	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	[illegible]	3.825	[illegible]	8.424	[illegible]	4.093	1576.	2.057	—
U.S. Dollar	0.545	1.	2.084	216.7	[illegible]	1.895	2.231	859.5	1.121	—
Deutsche Mark	0.262	0.480	1.	104.0	2.203	0.909	1.071	412.4	0.538	—
Japanese Yen 1,000	2.516	4.614	9.616	1000.	21.19	8.742	10.30	3966.	5.174	—
French Franc 10	1.187	2.178	4.538	472.0	10.	4.126	[illegible]	1871.	[illegible]	—
Swiss Franc	[illegible]	0.528	[illegible]	114.4	2.424	1.	1.176	453.6	0.592	—
Dutch Guilder	0.244	0.448	0.934	97.15	2.058	0.849	1.	385.2	[illegible]	
Italian Lira 1,000	0.634	1.164	2.425	252.2	[illegible]	2.205	2.596	1000.	1.305	
Canadian Dollar	0.486	0.892	1.859	193.3	[illegible]	1.690	1.990	766.4	1.	
Belgian Franc 100	—	—	—	—	—	—	—	—	—	

EURO-CURRENCY INTEREST RATES*

June 13	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss Franc	W. German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	[illegible]	7-8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7-10	—	[illegible]
7 days notice	[illegible]	7-8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10-12	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10-10¼	11-12	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14-16	[illegible]	[illegible]

The following nominal rates were quoted for London dollar certificates of deposit: One month [illegible] per cent; three months [illegible] per cent; six months [illegible] per cent; one year [illegible] per cent.

Long-term Eurodollar deposits, two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent. * Rates are nominal closing rates.

Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

Belgian bond rate rise

The Belgian four-month bond rate rose to 6 per cent from 5¾ per cent at yesterday's auction. This may be a mild measure to assist the Belgian franc within the European currency snake. Over the last few days it has tended to lose ground against the stronger currencies, particularly the D-mark.

The bond fund rate is sometimes used by the Belgian authorities as a signal for a change in the key Discount and Lombard rates, but this is not regarded as likely in the present circumstances. Both rates stand at a five-year low of 5½ per cent at present.

Call money continued to ease in Brussels, falling to 3.45 per cent from 3.55 per cent.

New York: Bankers acceptance offered rates 7.45 per cent (7.20) for 30 days; 7.50 per cent (7.30) for 60 days; 7.55 per cent (7.40) for 90 days; 7.65 per cent (7.50) for 120 days; 7.75 per cent (7.60) for 150 days; and 7.80 per cent (7.70) for 180 days.

Federal funds in the open market were 7⅜-7½ per cent. High grade commercial paper was 7.60 per cent (7.50) for 30 days; 7.63 per cent (7.55) for 60 days; and 7.70 per cent (7.60) for 90 days.

Certificates of deposit were 7⅝ per cent for one month; 7¾ per cent for two-month; 7⅞ per cent for three-month; 7⅞ per cent for six-month; and 8 per cent for one-year.

Amsterdam: Call money eased to 4.0625 per cent from 4.25 per cent, but one-month money was unchanged at 4.25 per cent. The three-month rate rose to 4.5 per cent from 4.375 per cent, while the six-month remained at 5.125 per cent.

Paris: Money market rates showed little change, with day-to-day money commanding 7⅝ per cent.

Frankfurt: Money market rates were unchanged, from call money at 3.5 per cent to six-month at 3.75 per cent.

Hong Kong: Conditions were tight in the money market, with call money traded at 5¼ per cent, compared with 4⅞ per cent previously, and overnight at 4¾ per cent, against 4¼ per cent.

GOLD

Little change

The price of gold in the London bullion market edged up in very quiet trading to $182¾-183 an ounce, $1¼ firmer than Monday's close from an opening level of $181¾-182. The morning fixing of $181.60 showed a slight improvement which carried through to an afternoon fixing of $182.35. With very little in the market to influence any movement, the slight strengthening in the metal was mainly due to the weakness of the U.S. dollar. Further encouragement of a possible firmer trend in the price of gold was claimed by analysts after the publication of Bank of International Settlement's annual report.

	June 13	June 12
Gold Bullion (a fine ounce)		
Close	$182¾-183	$181-181¾
Opening	$181¾-182	[illegible]
Morning fixing	$181.60 ([illegible])	$181.40 ([illegible])
Afternoon fixing	$182.35 ([illegible])	$180.65 ([illegible])
Gold Coins domestically		
Krugerrand	[illegible]	[illegible]
New Sovereigns	[illegible]	[illegible]
Old Sovereigns	[illegible]	[illegible]
Gold Coins internationally		
Krugerrand	[illegible]	[illegible]
New Sovereigns	[illegible]	[illegible]
Old Sovereigns	[illegible]	[illegible]
$20 Eagles	[illegible]	[illegible]
$10 Eagles	[illegible]	[illegible]
$5 Eagles	[illegible]	$100-105

UK MONEY MARKET

Exceptional assistance

Bank of England Minimum Lending Rate 10 per cent (since June 8, 1978)

Once again day-to-day credit remained in very short supply in yesterday's London money market. The authorities lent an exceptionally large amount to 10 or 11 houses at MLR for repayment today. They also bought a moderate amount of Treasury bills direct from the discount houses as well as a small number of local authority bills. This was in addition to their buying a moderate amount of eligible bank bills. Part of this package of bills is for resale to the market at a fixed future date. Banks brought forward balances in an extremely run-down state and houses also had to repay Monday's very large market advances. Settlement of large gilt-edged sales again caused a drain on funds.

Factors working in the market's favour were small enough to have little significance and amounted to a slight maturing of Treasury bills outside official hands and a minimal excess of Government disbursements over revenue transfers to the Exchequer.

Discount houses paid up to 10 per cent for secured call loans and closing balances were taken between 7 per cent and 10 per cent. In the interbank market overnight loans opened at 12¾-13 per cent and rose to 14-14½ per cent before easing to 12-12½ per cent. However, by early afternoon rates touched 18-20 per cent before falling off to close at 4-5 per cent thus underlining indications that the authorities' intervention was more than adequate.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

June 13 1978	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ф	Eligible Bank Bills ф	Fine Trade Bills ф
Overnight	—	4-20	—	—	—	11½	4-10	—	—	—
2 days notice	—	—	11½-12	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11½-12	11½-12⅛	—	11¾-12¾	11¼	9⅞-10	—	—	—
One month	10⅞-10⅝	[illegible]	11-12	10½-10⅞	11⅛-11½	10¾	9¾	[illegible]	10⅛-11	10¾
Two months	[illegible]	[illegible]	—	[illegible]	[illegible]	—	9⅝	[illegible]	[illegible]	10¾
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	9½	[illegible]	9⅞	10⅜
Six months	[illegible]	[illegible]	[illegible]	[illegible]	10⅛	—	9⅝	[illegible]	[illegible]	10⅝
Nine months	[illegible]	[illegible]		[illegible]	10⅜	—	—	—	—	—
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
Two years	—	—	11-11⅛	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rate nominally three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent. ф Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills [illegible] per cent; four-month trade bills [illegible] per cent.

Approximate selling rates for one-month Treasury bills [illegible] per cent; two-month [illegible] per cent; and three-month [illegible] per cent. Approximate selling rate for one-month bank bills [illegible] per cent; and two-month 10 per cent; and three-month [illegible] per cent. One-month trade bills [illegible] per cent; two-month [illegible] per cent; and also three-month [illegible] per cent.

Finance Houses Base Rates (published by the Finance Houses Association) [illegible] per cent from June 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) [illegible] per cent. Clearing Bank Base Rates for lending 10 per cent. Treasury Bills: Average tender rates of discount [illegible] per cent.

MONEY RATES

NEW YORK

Prime Rate	8.5
Fed. Funds	7.4375
Treasury Bills (13-week)	6.63
Treasury Bills (26-week)	7.15

GERMANY

Discount Rate	3
Overnight	3.5
One month	3.55
Three months	3.65
Six months	3.75

FRANCE

Discount Rate	9.5
Overnight	7.75
One month	7.75
Three months	7.875
Six months	8.125

JAPAN

Discount Rate	3.5
Call (Unconditional)	4.125
Bills Discount Rate	4.875

FINANCIAL TIMES SURVEY

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LOCAL AUTHORITY FINANCE

The days of sustained rapid growth in local authority expenditure may well have gone for good. But despite the restrictions of the last few years expenditure may still be running above the level allowed for in the last rate support grant settlement.

Trying to control a supertanker

By Colin Jones

IT HAS often been said that altering the pace or direction of local government expenditure is rather like trying to stop or change the course of a large supertanker at sea. Given enough time and patience, something may eventually happen. After rising in volume terms by an annual average of almost 9 per cent in 1973-74 and 1974-75, local government current expenditure rose by just over 4 per cent in 1975-76. In the following year, helped by some underspending on the original estimates, local current spending actually fell back — by about 1½ per cent. There was some underspending again last year and a drop in interest rates: by the end of the day the year-on-year change in volume was an increase of not quite 1½ per cent which meant that spending levels were virtually the same as in 1975-76.

Estimates

For the present year, the auguries are not yet clear. The return of local expenditure and rates which is compiled jointly by the Department of the Environment and the Chartered Institute of Public Finance and Accountancy revealed that 457 local authorities in England and Wales had collectively produced estimates of current expenditure which were about 1¼ per cent (roughly £200m) above the level allowed for in the November 1977 rate support grant settlement. The local authority associations argue, however, that the final outturn is likely to be very much closer to the Government's guideline since experience has shown, particularly since the imposition of cash limits on the government grant, that local authorities are more likely to underspend than overspend.

At this stage, the Government is reserving judgment. There is little point, as yet, in making a big fuss. On the other hand, it is not yet persuaded that underspending has become a normal local government habit. Moreover, the DoE/CIPFA return also showed that local councils had provided about £200m more than had been assumed for inflation and a further £100m extra revenue contribution to capital spending, making in all an "over-estimate" of some £500m or about 4 per cent, on the figures on which this year's rate support grant was based.

It is, of course, appreciated in Whitehall that local treasurers will prefer to take a cautious view about inflation prospects. The government grant is cash limited, treasurers have to set a rate call before the financial year begins, and their councils are disinclined to levy supplementary rates at the half-way point. But extra inflation provisions which are not in the event required ought to go to balances, rather than seep into the year's expenditure.

Similarly, with the additional £100m revenue plough-back into capital expenditure. Spending on this side of the account is not easy to predict. Slippages can occur. Projects can be delayed. On the other hand, this year's public-expenditure plans were predicted on a 8½ per cent increase in volume terms in local capital spending in England and Wales (and a 1.3 per cent volume increase in current spending, making a 2.6 per cent rise overall). If the increased revenue contribution betokens a reduction in borrowing, all well and good. But if it presages an even sharper revival in capital spending than had been allowed for, then that will be a very different matter.

These considerations are relevant not only to the present year. For thoughts are already being turned to the problems that may lie ahead. Up to now efforts have been concentrated on the task of halting the growth in local spending. Encouraged by national politicians, public pressure groups, and their own aspirations, local councils had stepped up their rate of spending to a pretty fast clip in the early 1970s. When the oil crisis broke and the world economy descended into recession, a change of pace was needed, and quickly. That has now been accomplished. But it would be wrong to think that the emergency has passed, or that it will soon have gone. Indeed, the days of sustained rapid growth in local expenditure may well have gone for good.

That may seem a foolhardy prediction given the historical trend of local spending. For it has been on an upward path for at least a century, at least in the years of peace. The share of GNP absorbed by local government services, including transfer payments, rose from about 2 per cent to 6 per cent between the 1870s and 1914 from 5 per cent to nearly 10 per cent between the two world wars, and from 8-9 per cent to about 17-18 per cent between the late 1940s and the mid-1970s.

In retrospect, too, this growth could seem predictable. As influence rises, so more is spent on services, and an increasing proportion of these services have been those that, in most advanced nations, are provided by local authorities.

And yet this trend cannot go on for ever. One did not need California's Proposition 13 to remind us that there is a limit to the level of taxation that people are prepared to stomach. Moreover, in this country at least, the bigger the share of the GNP that local expenditure absorbs, the greater will be the anxiety to control it on the part of those in central government who are held responsible for managing the economy. Sooner or later, and probably sooner, they will want to see the rate of growth in local spending moderated to something like the rate of growth in the economy generally.

Moreover, given the prospects for the world's economy, the continuing large payments imbalance between the OPEC countries and the countries which import oil, and the priority which the governments of the industrial nations are giving to countering inflation at the expense of employment, we cannot be at all sure of regaining the long run rate of economic growth to which we had become accustomed in the 1950s and 1960s. 1973-74 could well have marked a major sea-change in the course of the world economy.

For all these reasons, it may be a mistake to discount the forward predictions of spending levels contained in this year's Public Expenditure White Paper. These figures are of course notoriously liable to be changed. But the 1 per cent annual volume increase in current spending, plus some initial recovery in capital spending, which the White Paper offered as the prospect up to the early 1980s could well be not very far from what any new government after the election would want to see. And those councils which have been predicting their structure plans upon the return of a 5 per cent annual growth path sometime in the 1980s will almost certainly have to think again.

This prospect has considerable implications for both local councils and central government for, clearly, the aspirations of voters, pressure groups, officials, and politicians at all levels are unlikely to abate.

For central government it will mean examining afresh the means by which it tries to exercise an overriding influence over the totality of local spending. The changes introduced to enhance the influence of the rate support grant mechanism—the introduction of cash limits, the abolition of "trend extrapolation," and the setting up of the Consultative Council in order to try to bring about a consensus—may have worked in the emergency conditions of 1975-78, but will they stand the strain of a lasting haul?

Some observers see this as pointing inexorably to the unitary grant concept. Whitehall is unlikely to want to see local autonomy completely eroded. There is no desire to emulate the Irish, who this year abolished the domestic rate. But the unitary grant could well be the weapon to give the centre an adequate leverage on the totality of local spending while offering a means of providing full compensation for local needs and full equalisation of local resources.

Most councils dislike the unitary grant because it would enable the government to set a national standard rate poundage and thus expose both underspenders and over-spenders to public pressure. But what, in effect, this means is that they are reluctant to acknowledge publicly their own particular responsibilities. Moreover, the unitary grant would expose to public view the political judgment that lies behind the decisions on the total grant and its distribution to individual councils, a change from which local authorities could only benefit—for it would bring out into clearer public focus the precise responsibilities of central government.

Pressure

At the same time, the prospect of a lower trend rate in local government spending has implications for local authorities. Public pressure for more services and better standards are unlikely to diminish just because the authorities' ability to accommodate these pressures is growing less fast.

But this may be no bad thing. It could put more impetus into the drive to get better value for money and a better use of the assets and manpower which local councils deploy. It could lead to a reconsideration of charging policies and a redefinition of services which ought to be self-supporting or even privatised. It could lead to a reconsideration of priorities in the light of changing perceptions of social need (a task for the new corporate management approach, if there was ever one), so that resources can be switched from services which are commanding a diminishing priority to newer and more compelling needs.

In an age of expansion, the provision of services to the community might well have been looked upon as an ever growing empire. In an age of continuing restraint, it will more be a question of juggling resources around a moving kaleidoscope of services and of making sure that every penny counts.

The rating system

WITH THE Government announcing that it has instructed the Inland Revenue to start preparing a new *list* of rateable values for properties in England and Wales to come into force on April 1, 1982, and the Conservatives saying *that, if they are elected at the* next election, they would probably not be able to carry out *their pledge to abolish domestic* rates within the lifetime of one Parliament, the immediate future of the rating system seems a little clearer.

An *incoming* Conservative administration might conceivably tell the Inland Revenue *to stop working on the new* list. But, that proviso apart, it does now seem that another *revaluation based upon the* traditional rental value basis of assessment will take effect *in four years' time—in England* and Wales, that is, for Scotland had its revaluation two months ago.

Mr. Peter Shore's decision to postpone the adoption of capital values and to retain rental values as the basis of assessing residential properties has come as a big disappointment to the *very* considerable lobby which had formed up in favour of such a change. This lobby included the *Inland Revenue valuation* office, the Layfield Committee, the Rating and Valuation Association, Mr. Shore's own Department of the Environment, and — as last year's Ministerial response to the Layfield report made clear—the *Environment Secretary* himself.

Mr. Shore explained the deferment on the grounds that it had become apparent that there would be no majority for capital value legislation in the present Parliament. That may well be. The Conservative Opposition have declared themselves as being against the use *of capital values. And the pros*pect of a major disturbance to established rateable value *relationships between different* kinds of residential property, and between properties in *different parts of the country,* could well have aroused awkward political controversies, particularly in the run up to a general election.

However disappointment over Mr. Shore's announcement should not be allowed to obscure one point. This is the fact that a revaluation is now going ahead, albeit on the traditional basis. The paucity of free market rental evidence will undoubtedly cause the Inland Revenue valuers very considerable difficulties. At the time of the last revaluation in 1973 barely 2 per cent of resi*dential properties were let at* freely negotiated rents (and hardly any post-1945 property) as against the *minimum* of 10 per cent market evidence which was considered essential at the time of the 1963 revaluation. The proportion is probably even tinier now.

Even so, a respectable case can still be made for conduct*ing a revaluation on the tradi*tional basis, as against, not having one at all. The first *reason is that regular revalua*tions are essential if the rating system is to function effectively. *Property value relationships are* changing all the time, both within the domestic and business sectors and between them. It makes nonsense of the idea of a local property tax, if the values on which the tax is levied *are allowed to* become unrealistically *out-of-date.* In spite of the 1926 statutory requirement for revaluations every five years, only five revaluations have in fact been held in the past 50 years and some of those five were not full revaluations.

Shortage

Secondly, there may be a desperate *shortage of* rental evidence upon which to revalue residential property, but there *is no such* problem for commercial and industrial property. Indeed, it is not too much to *say that the non-domestic sector* very much needs a revaluation, since property rents have changed a good deal since 1972-1973 and some properties—offices, for example—may be overvalued in relation to today's market patterns.

Thirdly, any kind of *revalua*tion will involve some redistribution of tax (i.e. rates) *burdens, and this disturbance* can in turn lead to a good deal of public disaffection with the *rating system. This was seen* in England and Wales in 1973, and also in Scotland last year when the new valuation *lists* were published and even more noticeably in April 1 when the first rate demands based upon the new rateable values arrived through Scottish ratepayers' letter-boxes.

By 1982 almost ten years will *again have elapsed since the* last revaluation in England and Wales, a period in which inflation has been running at record rates for peacetime. The effect upon rateable values—and thus *upon ratepayers' attitudes—will* be considerable.

It is true that, overall, poundage rates will be reduced but there will still be some re*distribution of rates burdens as* between individual ratepayers. To add to that the additional disturbance to existing relationships which a switch to a capital value assessment basis would involve could be asking for trouble.

In other words, the double effect of the nine-year delay since the last revaluation and the adoption of capital values could well have led to such an outcry that public tolerance *of the rating system might* have been stretched to snapping point.

No doubt transitional arrangements would have been devised *so as to spread the effects of* the new valuation method over several years and thus soften *the sharper edges. But no* arrangements could make such a change-over totally painless. *The precise effects of a revalua*tion based upon capital values will not really be known until one has been made. *But pilot* studies conducted by the Inland Revenue have given us some indications.

There would, for example, be some considerable re-distribution of rates burdens against occupiers of residential pro*perty at both the top and bot*tom end of the scale. Properties in the countryside would lose compared with urban ones. The Midlands and the North would gain at the expense of Wales and the South East. *And flats* would benefit in relation to houses.

The effects of a revaluation based upon rental values can *at this stage be only a matter* of guesswork. The 1978 Scottish revaluation does not offer much of a guide. In aggregate rateable values increased by a factor of 3.4 but this was after a gap of seven years, and the domestic share of the total fell *from* 48 per cent to 39 per cent while in some areas the development of North Sea oil had particularly sharp effects.

Moreover, in Scotland there is still enough evidence of freely negotiated rents on which to mount a traditional revaluation. For the 1982 revaluation in England and Wales the Inland Revenue will probably have to *apply a series of multipliers to* most types of residential property because of the lack of adequate market evidence.

This in turn could exacerbate another problem — the sharply increased number of appeals which have occurred after *recent revaluation, particularly* the 1973 revaluation. The Layfield Committee suggested in its report that the period for appealing against assessments should be restricted, as is already the case in Scotland, to the first year of a new list except where some material change has occurred affecting the value of a property. The Government *indicated last year* that it intended to legislate to that effect, together with another Layfield recommendation limiting the right of *appeal to the Lands Tribunal,* save on points of law and precedent, to occasions when leave has been given either by the Tribunal or the local valuation court.

Changes

The Government argued that these changes would strike a fair balance between the rights *of individuals and the efficient* operation of the rating system. It rejected a further Layfield recommendation concerning the proportion of the increase in rates (presently 50 per cent) which may be withheld following a revaluation if a property has not been *altered and the* appeal is lodged within six months. On the other hand, the volume of appeals which followed the 1973 revaluation placed so great a burden on local valuation officers that, if repeated in 1982, it could again impair the chances of keeping to a rhythm of five yearly revaluations. If capital value rating *is to be adopted,* then certainly the change ought to follow as soon as possible after 1982.

This, of course, assumes that it is right to adopt capital values as the basis for assessing rateable values of residential property. *Despite the strength* of the largely professional lobby in favour of the change, the question seems destined to remain one of considerable political controversy. At heart, it raises the even more fundamental question of whether *local government* should continue to have its own special tax base.

If the answer to that question is "yes," then it is hard to see any alternative to property as a *local tax base,* and since over half of the houses in England and Wales are now owner-occupied it is difficult to resist the conclusion that capital *values ought to become the* basis of assessment, as they already are in many other countries.

No other possible alternative local tax would be as simple and as inexpensive to administer and collect. No other would have as *predictable* and substantial a yield. And the alternative bases for a property tax are either, like rental values, becoming more and more unworkable or, like square metres of surface area, would be more regressive.

Local rates may not be liked. But the adoption of capital values, together with the retention of rate rebates, would probably make the rating system a little more progressive. And the fact that so large a proportion of local government spending is financed by government grant out of the proceeds of general taxation goes a long way to meet the other point of equity which is levied against the rating system—namely, that *local residents who are not rate*payers fail to pay their proper share of the cost of local services.

In point of fact, taxpayers nowadays contribute almost twice as much as ratepayers towards the cost of running local government. The more fundamental question, however, is whether local government should have a tax base at all. The next question is, if so, then what should it cover. Only when those two questions have been answered, can one decide the question of what that tax base *should be.*

Colin Jones

Value for money

THE SHARP rate *rises* in the mid-1970s and the apparent decline in some local authority services were, in retrospect, almost certain to lead to a mas*sive public outcry against the in*efficiency of bureaucracy. This duly took place with, at times, *almost a hysterical degree of* criticism being heaped on public service workers.

While it seemed that most local authorities were taking this criticism on the chin, it has become clear that a major part of their defence has been to *show just how local authorities* give value for money. This week, for example, the Institution of Municipal Engineers Conference in Bournemouth has taken value for money as its theme. And the Association of Metropolitan Authorities recently published a survey showing how its member authorities had been giving value for money.

The problem, however, is that while local authorities are probably the biggest single spenders in the economy—employing over 3m people—there are no objective standards of performance or output against which costs can be measured. How do you judge the effectiveness of meals on wheels or the *provision of nursery facilities,* for example?

Moreover, the physical, social *and economic characteristics of* local authorities vary widely. For this reason it is difficult to make valid comparisons of unit costs or other comparative measurements of the performance of different authorities.

Existing safeguards against extravagance and efficiency are broadly split into external controls from the auditing system *or professional organisations* and internal financial control systems.

The accounts of all local authorities are subject to annual external audit, either by civil servants—the so-called district auditor—or auditors from professional practice. Auditors of local authority accounts have responsibilities additional to those of auditors of commercial accounts. Under the guidance for auditing local authority accounts, auditors should ensure that "the accounts do not dis*close any significant loss aris*ing from waste, extravagance, inefficient financial administra*tion, poor value for money,* mistake or other cause."

In addition to public audits, such organisations as the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authorities Management Services and Computer Committee (LAMSAC), help maintain pressure on local authorities *to operate efficiently.* CIPFA represents professional accountants in the public services and LAMSAC provides advice on management services.

Although there is little question raised over the integrity of local authorities in internal financial control, the 1976 Layfield Report on local government finance suggested that *the Chief Financial Officer* of a local authority "should be under a statutory obligation to *report regularly to the council* on defined financial issues."

But the Report concluded that "the best way to promote all-round efficiency and value for money by external means is through the dissemination of information on best practices to enable true comparisons to be made."

The Layfield Report, and the *subsequent Government green* paper in response, which gave broad support to the Report, *have been strongly criticised* by the Association of Metropolitan Authorities. The AMA feels that the Layfield inquiry had been badly timed, coming as it did after the 1974 local *government re-organisation and* before the new local authorities had settled down.

"The Association considers that as a result of this the *practice of local government* finance was put under the microscope at a time when most effort was, of necessity, directed towards maintaining the provision of services to the public with correspondingly less attention than usual being paid to administrative methods."

Savings

To counter what the Association believes is a false impression of local authorities, mem*ber councils* were asked to give details of where savings were being made without any drop in standards. *The survey* came to the conclusion that "local authorities are actively pursuing ways of obtaining better value for money." In particular, the survey adds, "they have concentrated in recent years on schemes which will *produce an immediate* saving, but they are also looking to the future particularly where energy conservation and building maintenance are concerned."

The *survey* found that the amounts saved by local authorities in the last two to three years have been "substantial."

Most of the authorities which replied to the AMA's survey drew attention to the fact that they saw the pursuit of value for money as an "ongoing activity" and not as a series of one-off projects. The most spectacu*lar results came from the* Manchester metropolitan district, which revealed annual savings from its work study schemes of £865,000 plus increased produc*tivity worth a further £1.45m* per year. When these are added to other savings as a result of these work study schemes, the annual saving for this one district was some £2.75m. a year. Further schemes, which were estimated as having a savings potential of another £125,000 a year had to be deferred because of problems it would have created for pay policy.

One London borough, with a population of only slightly more than *260,000,* could point to work study schemes in operation giving an annual saving in excess of £500,000.

The most popular area of value for money schemes, according to the survey, were those connected with goods and *services. The reason for this* seems to be that authorities have chosen areas where substantial savings can be made quickly from a relatively small investment.

Some 63 per cent of the 46 authorities surveyed had introduced either fuel economy measures or investigations into fuel tariffs. Manchester could point to total savings in excess *of* £2m as a result of such measures, with annual savings of *£220,000. Other authorities* reported savings in the range of £10,000 to £200,000.

Other moves by local authorities to achieve better value for money include the use of computers both to reduce manpower and to improve management information and therefore efficiency. One area where this is particularly important is in relation to income collection and payments. The effect of speedier recovery procedures and im*proved payment systems on cash* flow and borrowing requirements can produce major savings on interest payments. One metropolitan district estimates annual interest savings of £20,000 simply as a result of introducing a direct debit system for the payment of salaries.

Some local authorities, however, *have adopted a package* approach to cost savings rather than any major initiatives. One London borough can point to a number of small initiatives which taken together produced savings of £320,000 in 1977-78, rising to £600,000 in a full year.

But while local authorities are apparently eager to share their ideas with each other, the *AMA* suggests that there is a need for a central directory of information about value for money studies being carried out.

And there is growing concern *among those outside local auth*orities that stricter auditing controls are required to ensure efficiency. *The* Government has recently acknowledged this by setting up a new Advisory Committee on Local Government Audit. This new committee, however, was given a frosty welcome by the local authority associations, who believe that more extensive external controls are unnecessary.

David Churchill

Grants arouse bitter controversy

THE WAY in which govern*ment grants are distributed to* local authorities has become more and more a matter of *bitter contention in recent* years. During the 1960s and early 1970s it was widely recognised that the grant distribution system unduly favoured the "shires" at the expense of the larger cities. An opportunity to correct this imbalance was taken when the structure of local government was changed in 1974.

But the shift of grant shares away from the shire counties and in favour of the metropolitan areas including, especially, Greater London has been more or less continuous ever since 1974. The row between the various local authority associations and between them and the government broke out into full public view during the last *rate support grant negotiations.* This was in spite of the introduction of two kinds of "safety net" provisions (one new, the other an improvement on a previous device) to temper the impact upon grant-losing authorities.

Part of the trouble lies in the growing proportion of local government expenditure which is grant-financed. For the *greater the percentage of* grant, the greater is the need to make the distribution fair as between *individual* authorities: at the same time, the greater will be the "gearing effect" of marked changes in grant payments upon local rates calls.

Part of the trouble, too, is the fact it is much easier to soften the impact of changes in grant distribution when local authority spending is rising at a fair clip and thus the total grant is also increasing. By the same token, it is much harder to do so when spending *is not growing at all.* In the present climate of restraint on local spending, changes in grant distribution mean actually reducing payments to some authorities in order to give more to others.

At heart, however, the basic *problem lies in the nature and* purpose of the grant system. Grants are designed to do two things. The first is to finance the part of the cost of providing local services which cannot be financed out of the local authorities' own tax bases. The second purpose is to enable individual councils providing broadly similar standards of service to levy broadly similar rates poundages whatever the differences in their spending needs and whatever the differences in the size of their tax bases.

The difficulty lies not so much in the first objective but in the second. For there is no really sure way of assessing with precision the spending needs of every single council. There are of course various statistics which indicate different types of need. But, at bottom, the decision must be a political judgment. It is not possible to arrive at a completely fair dis*tribution.*

Furthermore, there is considerable room for debate about both the significance and the adequacy of the statistics that are used. For a start, there is the question of how to treat London, which has both heavier *spending needs* than most of the rest of the country and higher rateable resources per head of the population than most (but not all) places. If the grant system was designed to equalise rateable resources, the problem would be eased. But it does not. It is tantamount to a deficiency payment, bringing low resource areas up to a given national standard of rateable value per head.

Therefore, if London's needs are allowed for in full, should the grant be adjusted to allow for London's extra resources or, given the much lower differentials in income per head between London and elsewhere, should this aspect be ignored or, at least, minimised? As it *happens, it has been the judg*ment which has been made about London in each of the *last four rate support grant* settlements which has been responsible for most of the reduction in the grant share going to the shire countries.

The next point concerns the methods which are used to assess need. The present method *is to arrive at a formula based* upon the use of a multiple regression analysis of past expenditure designed to identify the factors which appear to be associated with above-average spending and thus, by implication, with above-average need. The *assumption, of course,* is that spending patterns reflect patterns of need and that other *factors,* such as different propensities to spend, differences

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New rules for borrowing

THE LAST twelve months has been one of the most significant periods of development in the history of local authority finance and Town Hall treasurers will not be short of things to talk about at their annual get-together in Edinburgh this week.

Over the past year the authorities have had to digest the implementation of the voluntary code of practice for long-term borrowing and the introduction of floating rate stock and bond issues. Interest rates have fallen from around the 15 per cent level at the end of 1976, to under 5 per cent late last year. Now they are back in double figures.

Against this background the authorities could be forgiven for wanting to keep their heads down. However, since they occupy such an important place in the financial system—their debt of around £30bn is not far short of the size of the National Debt—they cannot sit on the sidelines. They are very important forces in the short term money markets. Outsiders often do not realise that a medium sized authority such as the City of Coventry turns over well in excess of £1bn of debt annually which represents something like £5m per day.

The sums are large especially in the temporary debt market, and, *although they are often* routine transactions, local authorities are not immune from the vagaries of the interest rate cycle. However, what has really been exercising the minds of local authority finance men over the past year is the new voluntary code of borrowing practice.

Although this was not introduced until August of last year it had been in the air for some time. It was well known that *the Treasury had been worried* about the shortening maturity of much local authority debt. As *interest rates rose*, treasurers went shorter and shorter, so that they would not have to commit themselves at high rates for long periods. This was fair enough, but the Treasury was clearly worried that if there was ever any special crisis, such as another Mersey Docks and Harbour Board incident (and the recent troubles of the Port of London authority show that this was no idle threat), then the authorities might have difficulty raising finance.

The Treasury's concern was understandable. The latest return of outstanding debt for the end of March 1977, shows that out of a total debt of £31bn, only £11bn *fell* due after April 1980. By contrast, £14bn fell due technically within one year and another £6bn in the next two years. The Treasury's initial reaction was to impose *a strict restraint on longer-term* borrowing by further use of the Control of Borrowing Order. *The local authorities were not* at all happy about the use of this rather blunt instrument and eventually persuaded the Treasury to accept an offer from the Association of Local Authorities to introduce their own code voluntarily.

As the code was not introduced until last August its impact on 1977-78 was not very tough. A further two transitional years are provided with increasing restraint until 1980-1981 when all new local authority longer-term loans must have *a minimum seven year* average maturity. The main elements of the new code have been summarised by Butler Till Ltd. in their very useful book *Money Services for Local Authorities.*

They are as follows—(a) longer term borrowing (*including* PWLB loans) is to be so organised that the average *period to maturity shall be four* years in the year to March, 1978, five years to March, 1979, six *years to March, 1980 and seven* years thereafter.

(b) Even though the average is achieved, loans with a maturity of one, two and three years shall each not exceed 15 per cent of total longer-term borrowing (45 per cent in all). These allowances are not "transferable." *If less than 15 per* cent one year money is borrowed, the shortfall cannot be made up with two or three year money.

(c) Amounts borrowed by negotiable bonds may be excluded from the three 15 per cent calculations, but in that event the relevant percentage for the year is reduced by 2½ per cent in the years in which the bonds mature.

Maturity

(d) If in any year a single *maturity, or the sum of any two* maturities, exceeds 15 per cent of the loans to be raised during *the year, the average period for* that year may be reduced by one year, and the percentages increased by 5 per cent.

Although the code is simple in conception, it is more complicated to operate since there are difficulties associated with applying it to instalment and option loans, for example. However, it is already having a major effect on both the short-term *money markets and the* longer term debt markets.

Authorities have been relying heavily on the temporary debt market. In 1975-76 over a-third of the authorities' net borrowing was funded from this source. However, in the first nine months of 1977-78 net temporary borrowing has been reduced by £1.2bn. The lower *interest rates obviously explain* part of the fall but the new code is the real reason. Even though overall net local authority borrowing rose by only £0.8bn, the authorities boosted their net long-term borrowing by £2.1bn.

The code has not really affected the negotiable bond market. The regular weekly issue of £20m or so "yearling bonds" has not been increased, although the number of bonds with up to five-year maturities has been slowly growing. The authorities have also been increasing the proportion of their money they take from the *Public Works and Loan Board.*

The real impact has been in the corporation stock market. When interest rates soared above 15 per cent in 1976 the local authorities stayed away from the market but as rates started heading down they moved back in. The ice was broken by the Corporation of London in February of last year. It issued £25m of 1983 stock on a 13¼ per cent coupon and a fortnight later the GLC *announced a £50m issue on the* same coupon. For the next six months roughly two authorities *a month came to the stock* market and virtually all the issues were healthily over-subscribed. Coupons fell but apart *from* a small ten-year issue from Burnley the maturities did not extend beyond eight years.

In August new ground was broken when the City of Bristol announced the first-ever floating rate stock issue. In common *with the Treasury's earlier* issues of variable rate stock, the coupon on the Bristol issue was linked to Treasury bill rate. The mechanism was slightly complicated with each interest payment at a rate equal to half the sum of an indicator rate and a fixed margin of 1½. Interest was payable half-yearly.

The issue was not very well received and a fortnight later Morgan Grenfell and brokers, Grieveson Grant, announced the first-ever issues totalling £20m linked to interbank rates, for Dudley and Oldham. The *interest rate formula was simplified* to a one point spread over six-month inter-bank rates. The issue went well, and paved the way for the others. After some initial hesitation the idea caught on and the next issue, for Strathclyde, managed by Pember and Boyle, only carried a ¾ of a point margin over inter-bank rates and went equally well. From then on the ¾ point *margin has been standard.*

At first it was thought that issues had to have a merchant *bank link so that the stock* broker could be assured of a healthy demand from the banking community, but the stock broking fraternity soon realised that they could arrange the deals just as easily on their own. The success of the early issues was due to the fact that the authorities could borrow money more cheaply than direct from the banks. However, the latter soon realised that the local authorities would make ideal *customers for their medium-term* loans, especially since they were flush with funds and short *of borrowers.*

The problem with floating rate stock issues at the moment is that they are only of five-year maturity. Beyond that commission rates are non-negotiable and stocks of over five years must be quoted inclusive of accrued interest. This does not appeal to the banks and the stock exchange will probably *have to change its rules if* floating rate stock issues of over five years are to become common place. There is understood to be a seven-year issue, scheduled provisionally for July, waiting in the wings but it is as yet unclear how the managers will circumvent the above problems.

By contrast the syndicated *bank loan is an attractive way* of borrowing for the local authorities. There is no need *to queue up for permission at* the Bank of England, as there is with conventional stock issues, and the maturities can extend to ten years and the authority has much more flexibility in terms of drawdown periods and early repayments. At the moment, the introduction of the corset is squeezing the banks liquidity and so medium-term *bank loans will be harder to* come by and more expensive.

William Hall

LOCAL AUTHORITY BORROWING

£m	1973/4	1974/5	1975/6	1976/7	1977/8*
Gross Long-term					
Negotiable Bonds	716	711	833	941	893
Stock Issues	31	12	199	158	355
Fin. Institutions	1,698	2,671	3,224	3,660	2,701
Other	819	1,357	1,002	1,138	665
P.W.L.B.	1,391	1,826	2,102	1,679	1,939
	4,655	6,577	7,360	7,576	8,353
Net Borrowing					
Long-term	1,725	2,996	2,576	1,275	2,077
Temporary	835	313	(−137)	718	(−1,234)
Total	2,560	3,309	2,439	1,993	843

*First nine months.

Where the money comes from

LOCAL AUTHORITIES have been quick to take advantage of the Government Act which came into operation in April last year permitting them to conduct local lotteries. At the last count some 260 local authorities had begun to raise money in this way, which is just over half the total number in Britain.

Most of them have been glad to off-load the administrative *chores to the various private* sector companies—such as Littlewoods, Vernons, Norton *and Wright, Ladbroker* and many others—which are offering to run lotteries for them. With about 40 per cent of the take coming back to the council as the net contribution to its funds, lotteries could well now be contributing in the region of £50m a year to the councils taking part.

This may seem very small beer when measured against the £20,000m-plus a year which local councils receive from all sources —rates, grants, trading income, rents, fees, charges, interest and dividends. But the Act *limits the size of* local authority lotteries in terms both of turnover and prizes. The point, *however, is that* this £50m, which could rise towards £80m or more a year when other councils join in, is *a useful* supplementary source of income. It comes on the margin, and this is what counts.

Holding a lottery is not the only way in which a local authority can increase its income other than from ratepayers, or in the form of government grants, from the taxpayer. In all, local authorities are collecting well over £2,000m a year in rents, fees and charges which is about 13 per cent of their total income.

Almost half this sum comes from rents for housing and land, and rather more than a tenth comes from trading services, such as municipal bus services, *ports and airports, markets,* slaughter houses, civic halls, theatres and restaurants, and industrial estates. The remainder comes from services provided out of the general rate fund. Examples here are further education colleges, school meals, libraries, museums and art galleries, residential homes, car parks, private street works, *sports centres,* parks, *swimming* baths, public laundries, allotments, cemeteries and crematoria.

Over the post-war years rents and charges as a source of local income have tended to decline in importance. Part of this reflects, of course, local authority *rent policies. In the past* 10 years the proportion of local housing costs covered by rents has fallen from more than 70 per cent to less than 50 per cent. Part also reflects the fact that the biggest local services in terms of cost, such as education and personal social services, have been growing faster than the services for which *charges are traditionally made.*

But many services which are charged for are also covering a shrinking proportion of their costs. Trading services as a whole covered about 83 per cent of their costs in 1975-76 as against 96 per cent for the same services in 1966-67. Local authority markets, which ten years ago were contributing a *smal but useful surplus,* were meeting only 91 per cent of their costs in 1975-76. The short*fall on harbours, docks and* piers had risen from 2 per cent to 9-10 per cent, and on passenger transport services from 2 per cent to 7-8 per cent.

A similar pattern is shown by many of the rate fund services which are not normally provided free. Car parks covered 78 per cent of costs in 1966-67 and 60 per cent in 1975-76. The proportion for swimming baths had fallen from 33 per cent to 23 per cent, and for parks and *open spaces from 15 per cent* to 6-7 per cent.

Some local authorities make a habit of *reviewing their* charges at regular intervals. Others have been encouraged to look into the matter of charging policy as a result of inflation and other economic pressures. But the scope for raising extra revenue from charges is limited by the legal and social framework within which local councils operate.

The number of services for which local authorities may at present make a charge is limited by Acts of Parliament. In many instances, the actual charges are specified or limited by *statute,* while others are subject to central control or supervision. Significant changes *in these statutory restrictions* and in local councils' own approaches to charging policy are inhibited by social attitudes about the kind of local services which should be provided free or, at least, substantially below cost. But even where these restraints do not operate, and local councils have discretion, one finds a wide range of approach to charging policy.

It would be nice to think that the whole question of local charging policies is about to be opened up. The Layfield Committee on local government finance made a lot of sensible points, and in particular called for a thorough review on such matters as the distinction between charges that should continue to be fixed or regulated *by the government* and those which should be left to local discretion; the anomalies both between *and within local* services and between local services and services provided by other public *bodies; the levels of* charges which are set by statute; the services which should normally be expected to cover their costs; and the procedures and criteria which councils should observe in determining both charging policy and the levels of charges.

A review is now being conducted on these lines by the government and the local authority associations. Housing rents, transport fares, school meal charges, and public library charges have been excluded *from the review for one reason* or another. Even so, the review covers activities yielding about £1bn a year.

New ideas need not necessarily affront social attitudes. For example, how often should *charges be adjusted in the light* of rising costs? Could not more use be made of expensive local assets, such as by hiring out school and college playing fields, *to outside clubs and organisations* or by offering further education establishments as conference venues?

But sooner or later the question of social attitudes, or what are assumed to be social attitudes, will need to be tackled. *The public perception of social* needs is constantly changing. Services which were once provided as a basic necessity can slip down the pecking order of public priorities. Relatively new services, such as car parking and the vast range of leisure and recreational services which are being opened up, may justifiably be provided at or *near to cost. Is it right* nowadays for public cemeteries and crematoria to be so heavily *subsidised?*

The questions are legion. The point is not so much the scope for attracting extra income, though that in itself is pertinent, but the need to look upon local services as a constantly changing kaleido*scope of priorities. The proportion* of the national income which is devoted to the provision of local services is never likely to be large enough to accommodate everyone's aspirations. There could well be a case for charging for, or even privatising, services which are commanding a steadily diminishing priority in order to free *resources for the newer or more* urgent priorities which arise.

C.J.

Grants

CONTINUED FROM PREVIOUS PAGE

in cost levels, or differences in the standards of service being provided, can be ignored.

Moreover, *there is now acute* shortage of up-to-date data for most categories of need. Because of the mid-term population census which was due to take place in 1976 was cancelled (in one of the Government's spending cuts), figures have to be drawn *from the* 1971 census. Because most of these are now woefully out-of-date, the data which *are used in the multiple* regression analysis have become fewer and fewer.

Yet some 1971 figures are still being used. The formula derived from multiple regression analysis for the 1978-79 grant distribution was based *upon seven factors,* of which two—single parent families with dependent children, and the number of primary and secondary pupils of compulsory school age—received a combined weighting of 63.2 per cent. (It should be explained that *each of the* seven factors was used, not so much for its own sake, but because the analysis had shown that they were surrogates for a variety of factors that determined spending need).

The school population figures (30.3 per cent weight) posed no problem. They were based upon January, 1977, figures. But the *figures for one parent families* with children (32.9 per cent weight) were drawn from the *1971 census. A third factor,* with a weight of 6.8 per cent, was the number of persons living in *households lacking the basic* amenities. This, too, was based upon the 1971 census, which meant that almost 40 per cent of the formula used to govern the distribution of this year's grant was based upon statistical data which is now seven years old.

It was not surprising that the three main local authority associations each proposed a different grant formula to the grants working party, and that the Department of the Environment should have come up with a fourth. *In the* end, the formula derived from the multiple regression analysis — which had been used in previous years — was retained and the *other three methods were dropped* (for the moment, no doubt).

More important still, however, a special survey is now under way with a view to thickening up the volume of up-to-date data available for future grant *distributions.* The provision of more and better indicators of need will be essential whatever happens to the grant system — whether the present system is broadly retained or whether the proposed system of unitary grants is eventually adopted.

C.J.

WORLD STOCK MARKETS

Wall St. dips and rallies to finish mixed

INVESTMENT DOLLAR PREMIUM

\$2.60 to £—114½% (113¾%)
Effective \$1.8340 51¾% (51½%)

AFTER REACTING afresh in the morning session yesterday, Wall Street showed some recovery to close on a rather mixed note following another active trade

The Dow Jones Industrial Average came back further to 848.15 before ending a marginal 0.26 up on the day at 836.98. The NYSE All Common Index recorded a net gain of 2 cents at \$55.91, after \$55.5. Declines still held an edge over rises at the close of 835 to 629, although this was much narrower than the five-to-two ratio lead commanded at mid-session. Trading volume amounted to 30.76m shares, compared with Monday's total of 29.44m.

Analysts said the subsequent improvement came on speculaton that the weekly money supply figures, after the market close on Thursday, might show a decline, easing pressure on the Federal Reserve to tighten monetary policy this week.

The market has been woried that the \$4.2bn rise in the money supply, reported last week, might force the Fed to act before the June 20 Open Market Committee meeting, and result in further increases in interest rates.

Tighter money and higher *interest rates usually* act as a depressant on the stock market, although Wall Street's recent sharp rally which began in mid-April was an exception.

Also helping later sentiment was the firmer tone of the dollar after Fed chairman Miller said that both U.S. inflation and the current account deficit should be on a downtrend by the end of the year. And analysts added thta institutions are bringing more of their large cash balances into the stock market on downturns cushioning its slide.

General Dynamics, continuing to benefit from its settlement of cost overrun claims disputed by the U.S. Navy, soared \$¾ to \$73¾ in heavy trading.

Volume leader **Caesars World** gained 4⅞ to \$24⅛—it has leased and taken an option to buy an Atlantic City hotel for a casino.

Leeds and Northrup jumped 4½ to \$33, but **Cutler-Hammer** slipped 1¼ to \$53¾—**Tyco Laboratories**, in selling its Cutler stake to **Eaton**, has arranged to have Eaton sell Cutler's stake in Leeds to Tyco if Eaton gains control of Cutler. Tyco slipped \$1 to \$22 and Eaton were unchanged at \$38¾.

Several companies have settled Government civil suits over sugar sales. **Holly Sugar** added \$2 to \$24½ and **Amalgamated** ¾ to \$19¼, but **Consolidated Foods** eased ¼ to \$25¼.

General American Oil rose 1¼ to \$42—there was speculation that the company will be up for sale after the sudden death of its chairman, a major shareholder.

Scott Paper lost \$1 to \$17¼—**Atlantic Richfield** has denied rumours that is it planning to acquire Scott.

Ford Motor, facing further Government scrutiny of its small cars, shed \$1 to \$48.

THE AMERICAN SE Market Value Index advanced 1.1 5to 150.45 in busy trading with the average price per share rising 10 cents, although losses outpaced gains by 348 to 303. Volume 4.70m shares (4.41m).

Husky Oil bounded ahead 13¾ to \$42¼ on turnover of more than half-a-million shares. **Occidental Petroleum** has agreed to exchange preferred stock for 80 per cent of Husky's common shares, and Husky has rejected an offer from Petro-Canada, the Canadian Government oil company, to buy Husky shares at C\$45 each.

Resorts International "A" rose 8¾ to \$51 in active trading.

Tokyo

Unsettled by a fresh slump in the U.S. dollar to a record low against the yen on the Tokyo foreign exchange market yesterday, share prices, after early firmness, declined over a fairly wide front in moderate trading. However, net losses were mainly modest, the Nikkei-Dow Jones Average shedding only Y18.32 to Y5,493.67 and the Tokyo SE Index Y1.25 to Y411.70. Volume came to 210m shares (190m).

Export-orientated Electricals, Motors and Cameras were to the forefront of the reaction. **Sony** losing Y20 to Y1,750. **Matsushita Electric** Y11 to Y732. **Toyota Motor** Y5 to Y990 and **Canon** Y6 to Y487.

Many Blue Chips and Populars also weakened, with **Fuji Photo Film** retreating Y21 to Y570. **Fujitsu** Y7 to Y300 and **Kirin Brewery** Y4 to Y479.

On the other hand, popular speculatives, like **Nikkatsu**, **Okamoto Riken Gomu**, **Maruzen**, **Crown and Kanto Electric**, drew buyers' attention, along with oils, which are expected to benefit from the yen's sharp rise.

Paris

Bourse prices displayed an easier bias in thin volume. Brokers said investors remained hesitant ahead of a Press conference to be given by French President Valery Giscard d'Estaing this evening. Also sapping sentiment was the current debate in Parliament on a draft tax bill for capital gains on securities investment, but limiting the market's losses was a lowering of the Call Money rate from 8 to 7¾ per cent.

Steels and Oils were the only steady sectors. Banks and Electricals were mixed, while the rest were lower.

Among the notable decliners were **Cie du Nord**, **BSN**, **Ferodo**, **Generale d'Entreprises**, **Saunier Duval**, **Nouvelle Galeries**, **Telephones Ericsson**, **CM Industries**, and **BIC**.

Advancing against the general trend were **Chiers**, which put on 13 per cent, **Pretabail**, **Bail Investissement**, **MECI**, **BP**, **Cotelle** and **Dollfus-Mieg**.

Australia

Stock prices continued to make headway, with the Mining sector again attracting strong demand.

Western Mining advanced 10 cents further to A\$1.69, still drawing strength from its recent copper find in Victoria.

Prime Minister Fraser's European trip aroused fresh buying in Uraniums, where **Pancontinental** moved ahead 50 cents to A\$15.50 and **Queensland Mines** 8 cents to A\$2.48.

Utah rose 10 cents to A\$4.15 after announcing new export agreements, while elsewhere in Coals, **Coal and Allied** added 12 cents at A\$3.82 and **Thiess** 7 cents at A\$2.67.

Industrial leader **BHP** improved 6 cents more to A\$7.22, while **ICI Australia**, on further consideration of the higher interim profits and dividend, put on 3 cents to A\$2.28.

Among Retailers, **Woolworths** gained 4 cents to A\$1.63 and **Waltons** 5 cents to 94 cents, but **David Jones** reacted 5 cents to A\$1.28.

Food issues, especially meat processors and exporters, were well favoured, along with Banks and *Transports*, but *Finance stocks* were in dull mood.

Sugar stock **CSR** put on 6 cents to A\$3.01 ex dividend.

Southern Pacific Petroleum hardened 5 cents to A\$2.65 and **Crusader Oil** 4 cents to 34 cents.

Germany

After easing at the outset, shares picked up in moderate trading to close mainly little changed on balance.

BBC and **Goldschmidt** featured, however, with rises of DM 7 apiece, but in contrast, **Heidelzement** lost DM 2.50 and **Holzmann** DM 5.

In the foreign sector, **Amex** were listed for the first time, being quoted at DM 73.

Public Authority Bonds lost up to 25 pfennings more in quiet trading. The Bundesbank *purchased DM 11.9m nominal of* paper (DM 3.9m). Mark Foreign Loans were steady.

Canada

Mixed movements were recorded on the Toronto SE yesterday following a heavy trade. The Composite index was 0.5 easier at 1,142.5, while Metals and Minerals receded 10.8 to 962.2. Oils and Gas, however, moved ahead 29.3 to 1,433.6, partly reflecting the sharp rise of 11½ to C\$47¼ in **Husky Oil** on the Occidental Petroleum bid.

Most sectors in Montreal were easier, Utilities losing 1.23 to 173.93, Banks 0.91 to 276.85 and Papers 1.22 to 115.32.

Spain

Market was in easier vein, with the Madrid General Index receding 0.58 to 104.34. **FEMSA** met heavy selling and retreated 6 points to 122.

Hong Kong

After renewed early strength on London buying, share prices reacted on profit-taking to finish lower on the day, the Hang Seng index recording a net decline of 5.03 at 513.77. Business was again active.

Hong Kong Bank shed 20 cents to HK\$17.00, **Hong Kong Land** 15 cents to HK\$8.70 and **Swire Pacific "A"** 5 cents to HK\$7.10, while **Jardine Matheson** receded 20 cents to HK\$14.70 and **Wheelock** 2.5 cents to HK\$2.725.

Johannesburg

Golds closed with an easier inclination, reflecting a general lack of interest.

Mining Financials were unchanged to higher in very quiet trade. **Anglos** gained 18 cents to R5.55 and **Johnnies** 40 cents to R23.25. Elsewhere, **De Beers** moved ahead 10 cents to R6.10.

Milan

Lower in slow trading, with operators exercising caution ahead of a Cabinet meeting, due later *this* week to decide on further fiscal measures.

Switzerland

Narrowly mixed in moderate activity.

Financials were generally inclined slightly higher, with some speculative buying noted for shares of companies with Latin American interests following the news of the planned nationalisation of Cia Italo-Argentina de Electricidad, of Buenos Aires.

NOTES: Overseas prices shown below exclude \$ premium. Belgian dividends are after withholding tax.
♦ DM50 denom. unless otherwise stated, yields based on net dividends plus tax. ♥ Ptas.500 denom. unless otherwise stated. ¶ Kr.100 denom. unless otherwise stated. Φ Frs.500 denom. and Bearer shares unless otherwise stated. ¶ Yen 50 denom. unless otherwise stated. § Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross. div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs: including Unilac div. p Nom. q Share split. s Div and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

NEW YORK

Stock	June 13	June 12
Abbott Labs	34	34⅛
AM International	24⅜	24½
Aetna Life & Cas	43⅞	43⅛
Air Products	30¼	29⅞
Alcan Aluminium	28	28⅜
Allied Chemical	44¼	44½
Allegheny Ludlum	18¼	18¼

[Most of the remaining stock-price tables (New York, Canada, Germany, Tokyo, Australia, Brazil, Oslo, Johannesburg, Amsterdam, Brussels/Luxembourg, Paris, Switzerland, Copenhagen, Milan, Vienna, Stockholm, Spain, Indices, European Options Exchange) are printed at a resolution too low to transcribe: illegible]

BASE LENDING RATES

A.B.N. Bank	10 %
Allied Irish Banks Ltd.	10 %
American Express Bk.	10 %
Amro Bank	10 %
A P Bank Ltd.	10 %
Henry Ansbacher	10 %
Banco de Bilbao	10 %
Bank of Credit & Cmce.	10 %
Bank of Cyprus	10 %
Bank of N.S.W.	10 %
Banque Belge Ltd.	10 %
Banque du Rhone	10½%
Barclays Bank	10 %
Barnett Christie Ltd.	9½%
Bremar Holdings Ltd.	11 %
Brit. Bank of Mid. East	10 %
■ Brown Shipley	10 %
Canada Perm't. Trust	10 %
Capitol C & C Fin. Ltd.	9 %
Cayzer Ltd.	10 %
Cedar Holdings	10½%
■ Charterhouse Japhet	10 %
Choulartons	10 %
C. E. Coates	11 %
Consolidated Credits	10 %
Co-operative Bank	*10 %
Corinthian Securities	10 %
Credit Lyonnais	10 %
The Cyprus Popular Bk.	10 %
Duncan Lawrie	‖10 %
Eagil Trust	10 %
English Transcont.	10 %
First London Secs.	10 %
First Nat. Fin. Corpn.	11 %
First Nat. Secs. Ltd.	11 %
■ Antony Gibbs	10 %
Greyhound Guaranty	10 %
Grindlays Bank	‡10 %
■ Guinness Mahon	10 %
■ Hambros Bank	10 %
■ Hill Samuel	§10 %
C. Hoare & Co.	†10 %
Julian S. Hodge	11 %
Hongkong & Shanghai	10 %
Industrial Bk. of Scot.	9 %
Keyser Ullman	10 %
Knowsley & Co. Ltd.	12 %
Lloyds Bank	10 %
London Mercantile	10 %
Edward Manson & Co.	11½%
Midland Bank	10 %
■ Samuel Montagu	10 %
■ Morgan Grenfell	10 %
National Westminster	10 %
Norwich General Trust	10 %
P. S. Refson & Co.	10 %
Rossminster Accept'cs	10 %
Royal Bk. Canada Trust	9 %
Schlesinger Limited	10 %
E. S. Schwab	10½%
Security Trust Co. Ltd.	11 %
Shenley Trust	11 %
Standard Chartered	10 %
Trade Dev. Bank	10 %
Trustee Savings Bank	10 %
Twentieth Century Bk.	11 %
United Bank of Kuwait	10 %
Whiteaway Laidlaw	10½%
Williams & Glyn's	10 %
Yorkshire Bank	10 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 7%. 1-month deposits 7½%.
† 7-day deposits on sums of £10,000 and under 6½%, up to £25,000 7½% and over £25,000 7¾%.
Call deposits over £1,000 7%.
‡ Demand deposits 7½%.
§ Rate also applies to Sterling Ind. Securities.

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FARMING AND RAW MATERIALS

Brussels acts on pigmeat imports

BY CHRISTOPHER PARKES

EXTRA Common Market levies will be charged on imports of pork and live pigs fro mEast Germany, Sweden and Finland from next Monday, because exporters there have been selling inside the EEC at less than minimum import prices.

The decision to charge the extra taxes was made by the pigmeat management committee in Brussels yesterday after Commission investigators confirmed French charges that minimum import prices were not being respected.

At the same time, subsidies on Community pork exported to non-member countries are to be increased. Slaughterhouse owners are also to be paid special premiums for stockpiling the meat in their cold stores instead of selling it on the open market.

These moves follow the Commission's rejection of a demand from France last week that all imports of pigmeat from outside the Nine should be banned to prevent over-supply undermining market prices.

The Community is still paying private storage premiums on some 25,000 tonnes of pigmeat which have been held by abattoir owners since last year.

There is no full-scale support-buying scheme for pork such as that applied to beef or dairy products. Private storage payments are the most common means of supporting the market.

Apart from the French complaints, the Commission was prompted to act by evidence from the Netherlands and West Germany that pigmeat production there would rise 10 to 12 per cent towards the end of this year.

Pork output in the UK is now at a cyclical low and health regulations, which virtually exclude imports from most of the rest of the EEC, mean that the British market cannot be used to soak up excess production from the Continent.

Export subsidies on live pigs go up from 80 to 100 units of account a tonne. Subsidies on carcasses and shoulders rise 30ua to 150ua a tonne, but those on hams, sides and boned meat and bellies remain unchanged.

Levies on live pigs imported from East Germany go up by 30ua a tonne and the charge on boned pork from Sweden has been increased by 300ua per tonne.

Imports boost butter mountain

THE COMMON MARKET paid for almost 20,000 tonnes of home-produced butter to be put into cold storage last month because there was such a glut of imports in Britain that the UK market was unable to absorb the surplus.

About 5,000 tonnes were added to the British part of the EEC butter mountain, while more than 14,000 tonnes were locked away in private stores.

This subsidiary mountain will earn its owners generous grants from the EEC farm fund until the autumn, when it is due to be sold.

There are now almost 24,000 tonnes of British butter stored under Community market support schemes. This represents almost two months' production.

The 4,973 tonnes taken into intervention during May was the biggest quantity of U.K. butter ever removed from the market in one month.

Australian sheep flock cut again

CANBERRA, June 13.

AUSTRALIA'S SHEEP and lamb population fell to 130.54m head on March 31, compared with 135.36m a year earlier, according to first estimates from the Statistics Bureau's 1977-78 agricultural census.

This is its lowest level since 1954 and represents a fall of 28 per cent on the peak of 180.00m head in 1970.

The estimate is about 2.5m head down on that made last week by Mr. Malcolm Vawser, the Australian Wool Corporation's general manager, marketing, at the International Wool Textile Organisation conference in Munich.

Wool exports fell to 376.58m kilos, greasy equivalent, in the eight months to February 28, from 574.24m in the first eight months of the 1976-77 season.

There were also sharp drops in sales to all the main markets. Exports to Japan fell to 114.59m kilos from 176.25m, while those to the Soviet Union fell to 49m from 73.03m.

Western Europe also imported much less.

Reuter

Fish catch 'could double by end of century'

By Our Commodities Staff

THE WORLD fish catch could almost double by the end of this century, a UN expert stated yesterday.

Mr. W. P. Appleyard, chief of the UN Food and Agriculture Organisation's fishery industry development service said that, because of growing demand for food and the new 200-mile economic zones, "we could be seeing catches of 120m-130m tons by the year 2000, compared with 60m to 70m at present."

The organisation estimates that such an increase would require nearly $30m in new investment.

Mr. Appleyard told an FAO bankers' meeting that extended coastal zones would, during the next decade, stimulate investment, diversify fish production and give rise to a variety of "business arrangements" between coastal countries, investors and fish farms.

He noted that 63 nations, including most big fishing powers, had already imposed 200-mile limits and predicted that similar action would be taken by the remaining 64 coastal states. These would make each country rethink its fishing strategy.

Tapioca tax urged

PARIS, June 13.

THE EEC should impose a tax on imports of tapioca from Thailand, according to M. Philippe Neeser, chairman of the French wheat producers.

He told a Press conference here that imports had grown to 4.3m tonnes this year, compared with 800,000 tonnes five or six years ago.

That tapioca could be taxed at a preferential rate on entry and the revenues sent to Thailand to help develop farm output, he suggested.

In Bangkok, meanwhile, the Thai Board of Trade said tapioca product exports were expected to rise to 4.9m tonnes, valued at $437.5m this year, compared with 3.9m tonnes worth $384.7m last year.

The Board's weekly bulletin noted that during the first five months of this year exports of tapioca pellets—the most important tapioca product—increased to 2.3m tonnes from 1.7m in the same period last year.

Efforts by the Thai Government and the private sector to expand the market for tapioca products included an offer to sell 200,000 tonnes of tapioca flour to China.

Reuter

Tin prices rise on supply fears

BY OUR COMMODITIES EDITOR

TIN PRICES jumped on the London Metal Exchange yesterday to the highest level since last December, after the closure of the Capper Pass smelter because of an industrial dispute.

Standard grade cash tin closed £110 higher at £6,810 a tonne after moving up steadily all day.

The declaration of force majeure by Capper Pass on its supply contracts, and the warning that deliveries will be cut off for at least a month, are expected to force consumers to come to the metal exchange for supplies.

Although the quantity involved is not large in world terms, the move comes at a time when Europe in particular is suffering from a shortage of immediately available supplies.

Stocks held in the London Metal Exchange warehouses are at a low level, and the cash price has already moved to a substantial premium over the three months quotation. Yesterday the gap widened still further, the three months price gaining £67.5 to £6,702.5.

Meanwhile Reuter reported from Bangkok that tin-producing and consumer countries had resumed their tug-of-war over whether the International Tin Agreement's "floor" and "ceiling" prices should be raised.

Thailand set the tone for the five-day meeting of the Tin Council's economic and price review panel by calling for higher prices to encourage production.

Mr. Kasem Chatikavanij, Thai Industry Minister, said that the present "floor" price was very discouraging for the tin industry at a time when production costs had increased.

So far consumers, led by the U.S., have rejected pleas for a higher price range, claiming that output costs have not risen sufficiently to justify an increase.

Since the last rise was in July last year, however, it is thought likely that the producers will succeed in obtaining an increase at the July meeting of the Tin Council.

U.S. seeks changes in cocoa pact

BY JOHN EDWARDS, COMMODITIES EDITOR

RADICAL CHANGES in the present International Cocoa Agreement are proposed by the U.S., which is not a member of the existing pact.

At this week's talks in London, aimed at paving the way for a negotiating conference on a new agreement to replace the present one, which expires in September next year, the U.S. has come up with the controversial idea that the market should be solely controlled by a buffer stock arrangement.

Under the existing cocoa pact, in common with other commodity agreements covering such products as coffee, sugar and tin, quotas to control supplies are considered an essential weapon to back up a buffer stock arrangement.

It is argued that without attacking the root cause of any surplus, by controlling supplies coming onto the market, the buffer stock might be overwhelmed.

In the case of cocoa, however, the U.S. evidently feels there is little or no chance of an unmanageable surplus being created in view of the fundamental failure of production to keep up with potential demand in recent years.

The U.S. proposal is that the buffer stock should aim to stabilise prices within a 50 per cent range—25 per cent above and 25 per cent below an agreed midpoint price. It suggests that the buffer stock should have a maximum size of 250,000 tonnes.

It is proposed that the council should review the price range at least once every two years, but that any change in the price range would need a two-thirds distributed majority in favour.

Although export quotas are not normally favoured by producers, there could be divided loyalties in this case since a quota system—based on past performance—would effectively suit established producers, such as Ghana and Nigeria, rather than expanding suppliers like Brazil and Ivory Coast.

At the same time the U.S., as the world's biggest consumer of cocoa, could have a powerful influence in controlling price range movements if a two-thirds majority was required for any change.

UK TIMBER TRADE

Use of hardwoods at post-war low

BY A SPECIAL CORRESPONDENT

THE U.K.'s consumption of imported logs and lumber fell to its lowest point since the war last year and the trend is continuing this year, with the first quarter's figure about 3 per cent down on the corresponding quarter of last year.

Apparent consumption last year was 811,000 cubic metres—3 per cent down on the previous year. Imports at 808,000 cubic metres were down 4 per cent. The value of imports last year was £103m.

For about 20 years after the war, the national consumption of hardwood remained steady at just over 1m cubic metres. In the exceptional year 1973 it hit a post-war high of 1.4m cubic metres, but since then a decline has set in and there are serious doubts in the trade whether the 1m mark is now a thing of the past.

Hardwoods are used in relatively small quantities in a host of industries, but the main outlets are in construction and furniture. It is the decline in consumption here that has caused the setback and, until there is a revival in these industries, the hardwood importing trade is likely to have to live with the lower levels of consumption. The indications from the statistics are that it is adapting fairly well.

Although there was certainly an element of price-cutting last year aimed at maintaining cash flow, this was not such a feature of trading as it was in the previous two years. The trade's buying, and year-end stocks, have also kept in line with the lower levels of consumption.

Since the trade draws supplies from about 30 countries there is seldom a year when importers do not have to cope with an interruption of supplies through war, political upheavals, or changes in foreign Governments' commercial policies.

Last year's statistics showed that Ghana dropped from third to tenth among countries supplying sawn lumber, sending 62 per cent less of this and 45 per cent less, in volume, of logs. Ghana was experiencing severe balance of payments problems last year and was unable to replace sawmill and forest extraction machinery, thus reducing supplies.

The UK trade is also convinced that the intervention of the state-run Ghana Timber Marketing Board in the commercial relationships between producers in Ghana and importers over here had a great deal to do with the decline.

Among West African species, the shortfall from Ghana led to increased purchases both of sawn lumber and logs from Liberia. Zaire, too, recorded an impressive increase. A well-known German timber company has established a sawmill near Kinshasa which may have been responsible for a proportion of the increase in supplies.

With its mining industry now in trouble, Zaire may turn more to timber to earn foreign currency. It has good supplies of many of the prominent West African species like afrormosia, mahogany, sapele, iroko and agba. There are problems of infrastructure, however, and it will not be easy to attract foreign capital to the country for the establishment of sawmills.

Malaysia maintained its position as Britain's largest supplier of sawn lumber. Indonesia improved its position, but Singapore fell away. There was a significant increase in supplies of sawn lumber from Papua New Guinea, which is known to be keen to exploit further its hardwood resources.

The Far East, however, was not without its problems for the trade. Last November the Government of Thailand—one of the three main sources of teak—banned exports of both logs and sawn wood. So far, because of reduced world demand, supplies from Burma and Indonesia and through the trade from Hong Kong have been sufficient to make good the shortfall.

In spite of the trend for producing countries to undertake more of the sawmilling, the UK import of logs continues to account for a little more than 20 per cent of the total import by volume. The output from logs sawn in the UK is needed where colour match is important for high-class joinery work and there is still a sizeable veneer-cutting industry in Britain.

Perhaps the most surprising fact emerging from the statistics for anyone outside the timber trade is that beech from Germany, France, Denmark, Romania and Yugoslavia is way ahead of all other species of sawn hardwood imported into Britain, accounting for more than 22 per cent. of the total.

The answer lies in the fundamental factors of quality and price. The furniture industry seems to prefer the quality of the imported wood and Britain's woodland owners place rather too high a value on their logs.

Crisis talks on African locust plague

BY OUR COMMODITIES STAFF

A TEAM of UN Food and Agriculture Organisation experts will visit Dar es Salaam this week to discuss how best to fight the Horn of Africa locust plague.

Mr. John Malecela, Tanzanian Agriculture Minister and chairman of the Desert Locust Control Organisation for east and central Africa, told Reuters that the talks would probably start tomorrow and cover the mobilisation of international resources to counter the threat.

Officials from the desert locust control headquarters at Addis Ababa would also attend.

The FAO is worried that the locusts could affect a wider area from Africa's Atlantic coast to the Himalayas, involving more than 50 countries, unless the outbreaks in Ethiopia and Somalia are brought under control immediately.

The locust threat was first identified in Saudi Arabia, the Yemen and Somalia in early January, when most swarms were quickly controlled. Those which have escaped control are expected to remain in Ethiopia, Somalia and Sudan for the present, but their progeny, produced from now until September, could spread eastwards and westwards from October onwards. This could be the start of a new self-perpetuating plague, according to the FAO.

After many locust-free years, control teams may need considerable retraining. Equipment may also need to be replaced and pesticide stocks replenished.

An international rescue campaign was begun last month, when the FAO's fast action technical co-operation programme came into effect providing about $900,000 to help replenish pesticide stocks.

With civil strife and war in the two countries worst affected, however, control measures have not been given the priority they deserve.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Marginally firmer on the London Metal Exchange. The weakness on overnight Comex coupled with a higher sterling against the dollar saw forward metal open lower at £731. But this trend was reversed as short-covering and buying against Continental physical demand pushed the price up to £750. It then dipped to £744.5 owing to profit-taking but rallied again in the afternoon in line with Comex to touch £750.5 before easing to close at £751. Turnover 23,550 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	755-.5	-5.25	737-.8	+3.25
3 months	755.5-6	-4.5	759-.5	+2.5
Settl'm'nt	755-6	-5.5	—	.....
Cathodes				
Cash	726-8	-4.5	730.5-1.5	+5.5
3 months	749-50	-5.75	752.5-5	+5
Settl'm'nt	728	-4	—	.....
U.S. Smt.	—	.....	*66.5-68	.....

Amalgamated Metal Trading reported that in the morning three months wirebars traded at £758, 57.5, 57, 56, 56.5, 56, 55.5. Kerb: Wirebars, three months £755, 54.5, 54, 55, 54.5. Afternoon: Wirebars, cash £757, three months £758.5, 9, 8.5, 9.5. Kerb: Wirebars, three months £759, 8.5, 9, 9.5, 9, 8.5, 8, 7.5, 7.

TIN—Strong with forward standard metal opening higher at £6,680 and moving ahead throughout the day, owing to the further rise in the Penang price and as further consideration of the force majeure declaration by Capper Pass, to close at the day's high of £6,720 on the late kerb. The Capper Pass news also had the effect of widening the backwardation to £150 at one point although it narrowed to close at £110. Turnover 2,150 tonnes.

L.G. Index Limited 01-351 3466. January/March Rubber 62.4-63.1
29 Lamont Road, London SW10 0HS.
1. Tax-free trading on commodity futures.
2. The commodity futures market for the smaller investor.

UNIVERSITY APPOINTMENTS

UNIVERSITY OF JUBA—SUDAN

Applications are invited for the post of PROFESSOR/READER/SENIOR LECTURER/LECTURER IN FINANCIAL MANAGEMENT AND ACCOUNTANCY IN THE COLLEGE OF SOCIAL AND ECONOMIC STUDIES.

The appointee should have a first degree and professional qualifications in Accountancy. Teaching experience should include Financial Management and Accountancy especially in developing countries at degree and diploma levels. Working experience in corporations and/or parastatal organisations would be an advantage. Salary scales under review: Professor £S4,135 pa; Reader £S3,835 pa; Senior Lecturer £S2,465-£S3,900 pa; Lecturer £S1,800-£S2,460 pa ... The British Government may supplement salaries in range ... pa (sterling) for married appointee or ... pa (sterling) for single appointee (reviewed annually and normally free of all tax) and provide children's education allowances and holiday visit passages. ...

COMPANY NOTICES

NOTICE TO SHAREHOLDERS OF MAGNUM FUND LIMITED REGARDING THE CASH OFFER BY COPTHALL (TILBURG) B.V. TO PURCHASE ALL THE COMMON SHARES OF MAGNUM FUND LIMITED

Copthall (Tilburg) B.V. is offering to purchase in cash in United States funds all the common shares of Magnum Fund Limited at a price per common share equal to 90% of the net asset value per common share on June 26, 1978. A copy of the Offer is available from the companies listed below.

To assist the shareholders in deciding whether to accept the Offer, the directors of Magnum have mailed to registered shareholders a directors' circular in respect of the Offer. ...

MAGNUM FUND LIMITED
June 14, 1978.

THE UNIVERSITY OF MANCHESTER
APPOINTMENT OF BURSAR

RESIDENTIAL PROPERTY

COFFEE

ROBUSTAS recovered quickly after early weakness, Drexel Burnham reported. Thereafter the market fluctuated quietly in a narrow range, with interest generally poor. At a steady close values were £3 to £10 higher on the day.

GRAINS

SILVER

COCOA

WOOL FUTURES

COTTON

RUBBER

EASIER opening on the London physical market. Fair interest at higher level, ...

SOYABEAN MEAL

SUGAR

MEAT/VEGETABLES

JUTE

DUNDEE JUTE—Easier. Prices c and f UK for Sept.-Nov. shipment: BWB £264, BWC £252, BWD £246. Tossa: BTB £264, BTC £253, BTD £246. Calcutta goods steady. Quotations c and f UK for prompt shipment: 10-oz 40-inch £9.91, 7½-oz £7.78; June £9.91 and £7.75; July-Sept. £9.79 and £7.69. "B" twills: £26.84, £27.15 and £27.52 for the respective shipment periods. Yarn and cloth very quiet.

New Brazilian frost forecast

By Our Commodities Staff

FROST IS likely in Brazil's coffee growing region at the end of this month or early in July, according to Sr. Carlos Girardi, a meteorologist at the Sao Jose dos Campos technical aerospace centre.

The frosts were only expected to be "moderate," however. Heavier frosts might occur in the non-coffee state of Rio Grande do Sul though, he added.

Sr. Girardi said the centre had correctly predicted the frost which slightly damaged the coffee crop late last month. Its forecasts are based on gravitational influences from the sun and the moon, wind oscillation in the stratosphere over the western Atlantic equatorial region and cloud cover over South America, monitored by satellites.

Local coffee trade sources said they found the long-term forecasts "interesting," but preferred to rely on the Federal Weather Office's daily bulletins for assessments of weather trends.

PRICE CHANGES

Prices per tonne unless otherwise stated.

INDICES

FINANCIAL TIMES

REUTER'S

DOW JONES

MOODY'S

LONDON PALM OIL

GRIMSBY FISH

US Markets

Sugar down; precious metals gain

NEW YORK, June 13

PRECIOUS METALS finished strong on continuing inflationary expectations. Copper ended lower on trade hedge-selling and continued speculative liquidation. Sugar fell sharply, establishing new life of contract lows on aggressive Commission House stop-loss selling and chartist selling. Coffee closed near unchanged on mixed trading and a lack of direction.

Lull in demand for Gilts but equities remain firm

Share index up 2.4 at 474.6—Golds make progress

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
May 30	June 8	Jun. 9	Jun. 20
Jun. 12	Jun. 22	Jun. 23	July 4
Jun. 26	July 6	July 7	July 18

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

The recent upsurge in British Funds faded yesterday as buying enthusiasm began to wane against a background of fears that institutional investors may find difficulty in digesting this week's two big tap issues. Equity stock markets, however, continued *firmly with the Industrial leaders* edging a little higher. Trading conditions in the Funds were much quieter and, with sentiment becoming rather uncertain ahead of today's announcement of the May trade figures, prices tended to fluctuate throughout the session. Short-dated stocks opened firmly, but the profit-taking soon left its mark and final quotations ended with losses extending to ½. Turnover in the longer-dated maturities was considerably smaller and there was a disposition to follow the shorts. However, final movements here were limited to a few changes of an ⅛ either way

Despite a continuing low level of trade, the Industrial leaders held on to an initial mark up of a few pence and the FT 30-share index recorded a fresh gain of 2.4 at 474.6.

Elsewhere in the equity market, Store shares were helped by the rise in retail spending and credit sales last month, this being reflected in an above average gain of 1.3 per cent to 180.15 in the FT-Actuaries index for the sub-sector. Many of the day's *features resulted from company* trading statements and bid situations, but the *modest overall* improvement was shown in the All-Share index which improved 0.8 per cent to 217.01.

Corporations failed to establish a positive trend and ended with changes of ⅛ in both directions, while recently-issued Fixed Interests were notable only for Fairview Estates 13.85 per cent Debenture which reacted ⅝ to £2½ premium.

The business volume expanded noticeably in the investment currency market and the premium rose to 116½ per cent, mainly reflecting arbitrage operations in both Australian and Hong Kong securities, before reacting in lighter trading to close a net ¾ higher at 114½ per cent. Bulgarian bonds continued to benefit from recent reports that the country was seeking to settle its pre-war debts with the West and the 4½ per cent 1909 gained 1½ points more to £7½, while the 7½ per cent 1928 improved a point to £9. Yesterday's SE conversion factor was 0.6566 (0.6655).

Traded Options were generally quiet again, but the total contracts done were higher at 337 compared with the previous day's figure of 272p. Once again, ICI became the most active with 98 *deals recorded, followed by 70 in* GEC and 48 in **Marks and Spencer.**

Barclays dip and rally

The proposed share purchase of Investment Trust Corporation cum cash resale to the Post Office Pension Fund lowered **Barclays Bank** initially to 328p but a rally ensued and the shares eventually settled 3 higher on balance at 335p after a large turnover. Other clearing Banks continued to make modest progress with **Midland** a further 5 to the good at 365p and *Lloyds and NatWest both 3 dearer* at 280p and 273p respectively. Elsewhere, **Standard Chartered** added 5 to 420p and **Grindlays** revived with a similar improvement to 102p. With the exception of **Clive**, which softened 2 to 80p, Discounts continued firmly. **Gillett Bros.** rose 7 to 225p and **Alexanders** put on 4 to 252p.

Quietly firm conditions prevailed in Insurances. **Royals** gained 5 to 368p, while **Phoenix**, 250p, and **Sun Alliance**, 518p, put on 4 apiece. **C. E. Heath** also improved 4 to 266p in response to the chairman's confident annual *statement*.

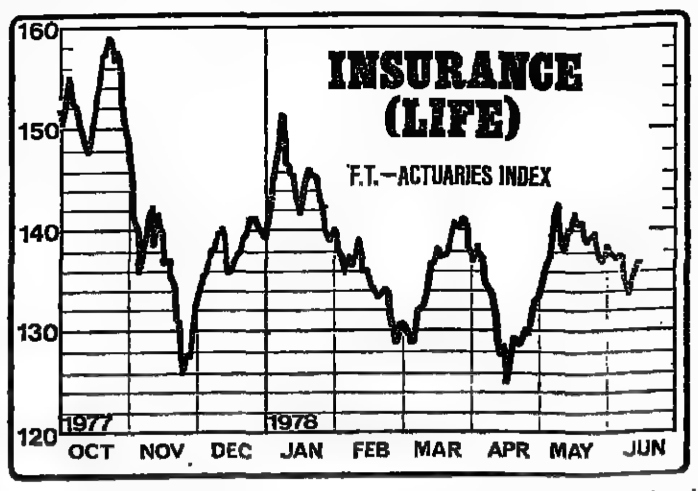
Breweries edged forward in light trading. **Guinness** were again bought ahead of Friday's interim results and advanced 4 to 176p. Distilleries made progress with **Distillers** finishing 3 higher at 181p.

Building descriptions traded quietly with few significant price changes. **Blue Circle**, however, *firmed 3 more to 246p reflecting* satisfaction with the Price Commission's *recommendation* that an increase in cement prices should be deferred until next year. **Rugby Portland Cement** moved 3 higher to 77p on the chairman's annual remarks, while **Heywood Williams** *continued firmly in a thin market* to 122p, up 3, for a two-day improvement of 10 in anticipation that dividend payments would soon be resumed. **Nottingham Brick** finished 5 higher at 275p ahead of today's interim statement, but **McNeill Group** shed 5 to 53p awaiting its preliminary figures.

Albright and Wilson resumed at 169p, against the suspension price of 157p, following the announcement that the Board had agreed to the increased offer of 195p per share from Tenneco. However, because of a possible Monopolies Commission reference, Albright closed at 172p, 15 higher on balance, but still 23 below the value of the bid. **ICI** traded quietly and ended a net penny better at 393p, while **British Tar Products** added a like amount at 60p on the higher profits and dividend-boosting rights issue.

Stores firm

Responding further to the May retail sales figures, leading Stores moved higher in thin trading. **Burton "A"** came in for support at 115p, up 4, while **Gussies "A"** closed 6 dearer at 280p. Still reflecting favourable comment, ***Combined English*** *hardened* 2 more to 99p ahead of tomorrow's annual meeting. **Marks and Spencer** added a similar amount to 143p as did **W. H. Smith "A,"** at 158p. Elsewhere, **Samuel Sherman** moved up a penny to 14p following reports of another fairly large share-placing, while **MFI** rose 5 to 86p on renewed speculative support. A firm market of late, **Allied Retailers** reacted 2 to 263p on light profit-taking ahead of today's preliminary results. **Knott Mill**, 17p, were suspended at the company's request pending further details of a bid approach and trading in **I. D. and S. Rivlin's** shares was also halted, at 18p.



pending clarification of the company's position. Buyers favoured selected Shoe concerns with **Stylo** particularly prominent at 63p, up 5. **K Shoes** closed 4 to the good at 71p, and **Headlam Sims and Coggins** hardened 2 to 40p, the latter in response to Press comment.

Interest in Electricals remained selective. **Philips' Lamp** mirrored overseas advices with a rise of 18 to 988p, while buying in front of next week's results lifted **Racal Electronics** 4 to 248p. **Farnell Electronics** improved 4 more to 268p for a two-day gain of 10. **Dubilier** hardened 1½ to 20p, while **Electrocomponents**, 415p, and **BSR**, 112p, put on 5 and 6 respectively.

Engineering leaders were mixed after a thin trade. **Vickers** advanced 5 to 179p on revived nationalisation compensation hopes, while **Hawker** hardened 2 more to 228p in continuing response to an investment recommendation. **GKN**, however, cheapened 3 to 233p. Elsewhere, **Pegler-Hattersley** were a late dull feature, falling 8 to 166p on news of the sharp contraction in annual earnings, but **Cornercroft** firmed 3 to 71p on hopes of an increased offer from Armstrong Equipment. **GEI** hardened 3 to 82p in reply to the results and **600 Group**, at 85p, recorded a Press-inspired gain of 2½. **Westland** edged forward 2 to 51p in *front of today's first-half figures*, while **WGI** improved 2 to 108p following comment on the record profits. **Matthew Hall** added 6 to 225p and **Spirax Sarco** were a like amount dearer at 102p, the latter reflecting renewed speculative demand.

An evenly matched trade in Foods left values little changed. **Tesco**, however, were excepted at 45½p, up 2½, while lingering bid speculation lifted **Morgan Edwards** 3 to a 1978 peak of 63p. **Tate and Lyle** hardened 2 to 176p, after 178p, for a two-day gain *of 8 in anticipation of tomorrow's* interim statement. Elsewhere, rises of 4 were seen in both **J. Sainsbury**, 187p, and **Associated Dairies**, 232p, while **Robertson Foods** edged forward a penny to 152p in front of today's preliminary figures. **Associated British Foods** *improved similarly to 70p* following Press comment on the results. Hotels and Caterers had an isolated firm spot in **Queen's Moat Houses** which moved up 1½ to 38p with the aid of call-option business.

Miscellaneous Industrial leaders passed another quietly firm session. **Pilkington** rose 7 to 487p ahead of Friday's annual results and **Reed International** advanced 6 more to 138p, with sentiment still impressed by publicity given recently to brokers' favourable circulars. **Metal Box**, 310p, **Beecham**, 647p, and **Bowater**, 197p, all improved 4, while **Turner and Newall** hardened 2 more to 180p. Elsewhere, **Sketchley** stood out with a gain of 6 to a 1978 peak of 121p following the proposed dividend-boosting rights issue; **Johnson Cleaners** were 5 up at 92p in sympathy. **Lindsay and Williams** added 3 more to 49p on vague suggestions that RFD may sell its 24.4 per cent shareholding, while **Bath and Portland** gained a similar amount to 77p owing to speculative buying ahead of the forthcoming interim results. **Avon Rubber** hardened 3 to 189p in response to an investment recommendation and improvements of around 4 were seen in **Coral Leisure**, at 115p, **Relyon PBWS**, 80p and **Thomas Witter**, 54p. By way of contrast, **Johnson Matthey** finished 7 lower at 428p reflecting disappointment with the annual profits.

Noteworthy movements were few in Motors and Distributors. **Flight Refuelling** attracted demand and rose 5 to 136p, while **Automotive Products**, 88p, and **Armstrong Equipment**, 70p, put on 4 apiece. Following recent Press suggestions of a sharp improvement in profitability, **Heron Motor** turned reactionary and the ordinary fell 4 to 144p, while the *10 per cent convertible reacted* 20 points to £215. **Pennine Motor**, at 13p, closed a shade easier after the previous day's late rise of 2½ on news of the Premwain Group's involvement in the company.

Yield considerations attracted buyers to Newspapers and persistent demand in thin markets raised **News International** 20 to 265p and **Associated Newspapers** 7 to 163p. **Daily Mail A** firmed 10 to 298p and **United Newspapers** 6 to 360p. In Papers, **Associated** added 4½ to 63½p and the 6½ per cent convertible rose 8 points to £118. Small buying lifted **Inveresk** 4 to 75p.

English Property, recently buoyant on discussions with an unnamed Continental group, turned dull in the absence of new developments and touched 38p before recovering to 41p, 2 lower on balance; the 6½ per cent Convertible eased 6 points to £90. Other Properties were highlighted by **Churchbury Estates**, which firmed 11 to 268p following the announcement that **British Land** had acquired a 15 per cent stake; the latter closed fractionally higher at 34p. **Berkeley Hambro** put on 6 to 113p in further *response to the disposal of its* share stake in **Swire Properties**. But **Swire** eased 3 to 58p. Renewed demand in a thin market left **Property Partnerships** 7 higher at 125p, while **Imry**, 8 to the good at 310p, and **United Real**, 4 better at 250p, both attracted occasional buyers. **Avenue Close** firmed 3 to 73p ahead of today's preliminary results, while **Great Portland Estates** held at 300p awaiting its full-year figures. Fresh consideration of the results left **Property and Reversionary A** a couple of pence easier at 298p, but **Rush and Tompkins** *firmed* 2 to 119p following the annual meeting. Elsewhere, **Estates and General Investments** put on 2 to 22p before being suspended at the company's request pending an announcement; the proposed merger with County and Suburban Holdings, a private concern, was announced well after market hours.

The volume of business in Oils still left much to be desired and **British Petroleum** edged slightly higher to 860p, while **Shell** held at 552p. Recent speculative favourites **Siebens UK**, 348p, **Oil Exploration**, 250p, and **Attock**, 98p, all passed quieter sessions and rarely moved from overnight levels, but revived interest lifted **Century** 2½ to 57p.

Ocean Wilsons, at 91p, recouped 3 of the previous day's loss of 7 which followed the preliminary figures. Other Overseas Traders also moved higher including **James Finlay**, up 6 more at 357p, and **Harrisons and Crosfield**, 12 to the good at 487p.

The offer by Barclays Bank on behalf of the Post Office Pension Fund for **Investment Trust Corporation** lifted the last-named 23 to 278p, compared with last night's share-exchange element of the offer of 294p. Other Investment Trusts went better in sympathy and *closing prices were the day's* best levels. **Caledonia Investments** moved up 4 to 254p in front of tomorrow's results, while similar gains were seen in **Alliance Investment**, 224p, and **Altifund Capital**, 182p. **New Throgmorton Capital** were also firm at 118p, up 6.

Furness Withy made a better showing in Shippings and touched 252p before closing 3 better on balance at 249p, but small selling in front of to-day's results clipped a penny from **Lofs**, at 34p.

Textiles had contrasting movements in **Dawson International**, 3 better at 132p on revived speculative interest, and **Tomkinsons**, 3 cheaper at 56p despite the increased first-half profits.

Australians active

Although prices did not show the substantial gains of recent days Australians nevertheless continued to attract a good deal of interest.

An overall firmer tendency in overnight Sydney and Melbourne markets saw prices open on a higher note and move further ahead throughout the morning and early afternoon. In the late trade, however, profit-taking tended to pare earlier gains although in the majority of cases prices closed a shade above their overnight levels.

Western Mining were again active with the shares touching a new high for the year of 162p before easing back to close unchanged on the day at 158p; the initial flurry of buying continued to reflect optimism over the rich copper values encountered at the Benambra copper-zinc-silver prospect.

The strength of the bullion price, which was finally $1.25 higher at $182.625 per ounce, enabled Golds to gain ground initially, but the generally lower than expected June dividend declarations from the Gold Fields group mines caused a slight setback in the late trade.

Nevertheless the Gold Mines index managed a 2.7 improvement at 160.9.

Among those declaring June dividends **West Driefontein** were notably weak in the after hours business with the shares dipping from £22¾ to close ⅛ harder on balance at £22⅛, while **East Driefontein** came back from 773p to close 2 cheaper at 760p.

The initial firmness of Golds coupled with a higher investment premium prompted modest gains in Financials. **Anglo American** put on another 10 to a high of 322p, while **De Beers** climbed 8 to a year's peak of 366p. **Charter** were prominent *among* London-based Financials; continued satisfaction with the 1977 results left the shares 7 better at a 1978 high of 150p. **Selection Trust** also attracted support closing [illegible] up at 426p.

Elsewhere, **Anglo United Development** advanced 17 more to 203p—a two-day gain of [illegible]—following further persistent London and Canadian interest reflecting the company's uranium prospecting activities in Ireland.

FINANCIAL TIMES STOCK INDICES

—	June 13	June 12	June 9	June 8	June 7	June 6	A year ago
Government secs	70.78	70.79	70.26	69.68	69.20	68.83	68.67
Fixed Interest	72.56	72.26	71.70	71.19	70.92	70.73	68.79
Industrial Ordinary	474.6	472.2	466.9	469.3	474.9	477.7	455.4
Gold Mines	160.9	158.2	157.9	161.0	158.5	153.9	104.3
Ord. Div. Yield	5.58	5.61	5.66	5.64	5.58	5.56	5.15
Earnings Y'ld%(full)(*)	16.26	16.35	16.51	16.38	16.22	16.15	15.76
P/E Ratio (net)(*†)	8.23	8.18	8.10	8.16	8.24	8.29	9.20
Dealings marked	5,163	4,967	4,652	5,203	4,632	4,644	4,860
Equity turnover £m	—	68.70	89.29	78.84	72.57	66.75	30.01
Equity bargains total	—	14,456	19,297	17,261	15,015	15,076	15,372

10 am 474.1. 11 am 474.5. Noon 474.5. 1 pm 474.2.
2 pm 474.4. 3 pm 474.3.
Latest Index 01-246 8026.
* Based on 52 per cent corporation tax. † Nil=8.87.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (5/1)	68.79 (6/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	70.73 (6/6)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	497.3 (5/1)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	168.6 (8/5)	130.3 (6/3)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	June 13	June 12
—Daily		
Gilt-Edged	192.5	201.4
Industries	155.5	158.3
Speculative	69.8	59.3
Totals	117.5	123.1
5-day Av'rage		
Gilt-Edged	189.2	190.9
Industrials	153.5	[illegible]
Speculative	50.5	43.9
Totals	111.6	109.2

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
Barclays Bank	£1	12	335	+ 3	358	286
Albright & Wilson	25p	11	172	+15	172	98
Shell Transport	25p	10	552	+ 2	586	492
Bowater	£1	9	197	+ 4	205	155
De Beers Defd.	R0.05	9	366	+ 8	366	285
Western Mining	A$0.50	9	158	—	160	84
BP	£1	8	860	+ 4	892	720
Midland Bank	£1	8	365	+ 5	390	330
NatWest	£1	8	273	+ 3	298	254
Reed Intl.	£1	8	138	+ 6	143	102
Tst. Houses Forte	25p	8	220	+ 1	220	186
BAT Inds.	25p	7	335	—	346	267
English Property	50p	7	41	− 2	51	27
ICI	£1	7	393	+ 1	396	328
Unilever	25p	7	536	+ 4	548	476

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (213)

AMERICANS (4)
CANADIANS (6)
BANKS (1)
BEERS (1)
BUILDINGS (5)
CHEMICALS (2)
DRAPERY & STORES (6)
ELECTRICALS (7)
ENGINEERING (20)
FOODS (2)
HOTELS (1)
INDUSTRIALS (30)
INSURANCE (1)
MOTORS (1)
PAPER & PRINTING (2)
PROPERTY (5)
SHIPPING (2)
SHOES (2)
SOUTH AFRICANS (3)
TEXTILES (1)
TRUSTS (72)
OILS (3)
OVERSEAS TRADERS (3)
RUBBERS (1)
TEAS (2)
MINES (28)

NEW LOWS (7)

BRITISH FUNDS (1)
Treas. Variable '82
FOREIGN BONDS (1)
Iceland 6½pc '83-88
BANKS (1)
Hill Samuel Wrnts.
ENGINEERING (2)
British Northrop Record Ridgway
SHIPPING (1)
Jacobs (J. I.)
TEAS (1)
Moran

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	9	25	[illegible]
Corpns., Dom. and Foreign Bonds	15	[illegible]	[illegible]
Industrials	463	126	[illegible]
Financial and Prop.	244	26	[illegible]
Oils	15	5	[illegible]
Plantation	8	[illegible]	[illegible]
Mines	67	8	[illegible]
Recent Issues	7	[illegible]	[illegible]
Totals	[illegible]	224	[illegible]

APPOINTMENTS

Two additional deputy chairmen for Gallaher

Mr. S. G. Cameron and Mr. R. T. Harris have been appointed additional deputy chairmen of GALLAHER and both will act in an executive capacity. Mr. Cameron will continue as chief executive of the tobacco businesses at home and overseas and Mr. Harris's primary responsibility will be for the non-tobacco interests of the group. Sir John Hogg, who joined the Board of the company in 1946 and became deputy chairman in 1964, is to retire at the end of this year.

★

Mr. Douglas King, senior partner of King and Co., has been elected chairman of the council of the LONDON CHAMBER OF COMMERCE AND INDUSTRY. Mr. King, who has been deputy chairman of the council for the past two years, takes over from Sir Peter Tennant, the Chamber's new president. Mr. King is also chairman of Hearts of Oak and Enfield Building Society. Deputy chairman of the Council of the *London Chamber is Mr. R. T. S.* Macpherson, who is deputy chairman and managing director of the Mallinson-Denny Group.

★

Mr. E. Urquhart Broadbent, director responsible for industrial and personnel relations within the LAING GROUP, is to retire at the annual meeting on June 22.

★

Mr. G. N. F. Wybord has been appointed general manager, managing director's office, DUNLOP LIMITED, with special responsibilities including secretariat of *the central committee of the* Dunlop Pirelli Union.

★

Mr. John Armstrong has been appointed managing director of DATA RECORDING EQUIPMENT and he also joins the Board of Data Recording Instrument.

★

Mr. Eric Drewery has been appointed director-general manager of the Rotating Machinery Division, MATHER AND PLATT. He was previously product director of that division.

★

Mr. Jeffrey Townsley, general manager of SPENCER SOLARISE, has been appointed to the new position of managing director. The company is a member of the Neil and Spencer group.

★

Mr. David Brown has been appointed to the Board of CONDER GROUP SERVICES as director of M and E Development. He was formerly senior development engineer.

★

Mr. J. H. Robertson has resigned as a non-executive director of BLACKWOOD HODGE to reduce his business commitments.

★

WORLD-WIDE ASSURANCE COMPANY has made the following appointments: Mr. John J. Doyle, deputy general manager and secretary; Mr. Paul G. Truijens, at present financial controller and actuary also becomes

Mr. S. G. Cameron

Mr. R. T. Harris

assistant general manager; Mr. *John K. Flowers, assistant general* manager; and Mr. Gyles F. Taylor and Mr. Nigel A. Bowrey, managers.

★

Mr. Don Young has been appointed joint managing director of SWALLOW RAINCOATS, a member of the S and U Stores group. Mr. R. O. Crouch, the other Swallow joint managing director, has also been made deputy chairman.

★

Mr. Peter L. Aspinall, managing director of TAVENER RUTLEDGE, has resigned to devote more time to family interests. Mr. Andrew Place has been elected managing director and continues as sales and marketing director.

★

Mr. J. Antoine Zananiri has been named vice-president and head of Middle East and North Africa group of CROCKER NATIONAL BANK, based at the California bank's London regional headquarters.

★

Mr. Hervé de Carmoy, at present general manager of Chase Manhattan Bank in France, has *been appointed chief executive of* the recently formed MIDLAND BANK FRANCE SA from July 1. Mr. de Carmoy will also have responsibilities in connection with new developments by Midland Bank in western Europe.

Midland Bank France, which will have an initial capital of FFr 20m, will carry out wholesale banking in France as a *wholly owned subsidiary of Midland Bank.* The formation of the new company is in pursuance of Midland's policy of increasing its direct representation in the major financial centres of the world.

★

Mr. R. D. Reader has been appointed chief co-ordinator, research and development, BRITISH GAS.

★

Mr. S. Chance has been appointed chief executive, Europe, Middle East and Africa, of PANDAIR FREIGHT. Mr. C. Williams, has become group finance and services director. The company is a member of the P and O Group.

★

Mr. Colin Wiltshire has been appointed to the Board of FITCH AND CO. as marketing director.

★

Mr. Nicholas J. Dalton has become assistant managing director of Tegral Building Products, Tegral Pipes, and Turners Building Products (Northern Ireland). TEGRAL BUILDING PRODUCTS is the Irish-based subsidiary of Turner and Newall and Cement-*Roadstone Holdings.*

★

The board of SLIMMA GROUP HOLDINGS has been restructured and Mr. J. R. Howarth, Mr. J. D. Mayoh, Mr. R. A. Boardman and Mr. S. E. Harrison, all directors of major subsidiary companies, have joined the board. The parent concern is Tootal.

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Jun. 7	Jun. 20	Aug. 31	Sep. 14
Jun. 20	July 4	Sep. 14	Sep. 28
July 14	July 18	Sep. 28	Oct. 12

For rate indications see end of Share Information Service

Stocks favoured for the call included Grand Metropolitan, Spillers, Britannia Arrow, Queen's Moat Houses, UDT, Burmah Oil, KCA International, S. Sherman, MFI Furniture, Lonrho, Shell Transport, Ransome Hoffmann and English Property. A put was done in BSR, while doubles were arranged in William Press, Coalite and Chemical, UDT, MFI Warehouses and Spillers.

LONDON TRADED OPTIONS

Option	Ex'rcise price	July Closing offer	July Vol.	October Closing offer	October Vol.	January Closing offer	January Vol.	Equity close
BP	750	121	—	132	—	151	—	858p
BP	800	70	—	90	—	114	—	..
BP	850	31	1	58	—	85	—	..
BP	900	10	—	30	—	59	—	..
Com. Union	140	17½	24	23	—	27	2	155p
Com. Union	160	5½	5	11	—	16	15	..
Cons. Gold	160	19	—	27	—	30	—	177p
Cons. Gold	180	6	5	15	—	20½	1	..
Courtaulds	100	25½	10	29½	9	30½	1	124p
Courtaulds	110	16½	—	20½	—	22½	—	..
Courtaulds	120	9	—	14½	5	16½	—	..
Courtaulds	130	4	10	10	—	12	—	..
GEC	220	52½	15	57½	—	64	—	268p
GEC	240	33½	2	42	—	49	—	..
GEC	260	16	10	26	15	35	—	..
GEC	280	5	11	16½	7	26	10	..
Grand Met.	100	12	—	16	—	19½	—	109p
Grand Met.	110	5	5	9½	5	14	—	..
Grand Met.	120	2	5	5	—	10	—	..
ICI	330	65	15	70	4	75	—	393p
ICI	360	36	—	45	1	52	4	..
ICI	390	13½	10	23	5	33½	5	..
ICI	420	3½	28	10½	24	19½	2	..
Land Secs.	180	29	9	34½	—	37	—	206p
Land Secs.	200	11	—	18	6	24½	—	..
Land Secs.	220	2½	—	9½	5	14	—	..
Marks & Sp.	120	25½	10	29½	—	31	—	145p
Marks & Sp.	140	8	10	15	—	17	—	..
Marks & Sp.	160	1¾	10	6½	12	10½	6	..
Shell	500	61	—	78	—	84	—	551p
Shell	550	16	—	40	1	52	—	..
Shell	600	5½	—	16	—	27	—	..
Totals			193		98		46	

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or —	Div. Amount	Times Covered	Gross Yield	P/E Ratio
75	F.P.	—	92	89	Bramall (C.D.)	90	.....	t4.5	3.1	7.6	4.8
100	F.P.	5/7	162	148	Burnthern	162	+2	b2.64	3.0	2.5	15.2
34	F.P.	—	38	35	Thames Plywood	35	—1	‡§2.0	2.3	8.4	7.9

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price	+ or —
$100	F.P.	—	[illegible]	[illegible]	Amer. Express Int. Fin. Variable [illegible]	$99¾	.....
100p	F.P.	20/6	110p	100p	Armitage [illegible] 10½% Cum. Pref.	100xd	.....
**	F.P.	—	96p	95p	Automotive Prods. 9% Pref.	95p	—2
£98	£10	22/9	12	11¼	Barnet 11½% Red. 1987	11½	—½
100p	F.P.	—	104	100p	[illegible] Cum. Red. and Pref.	102p	.....
**	F.P.	—	98p	98p	Clive Discount 9½% Cum. Pref.	98p	.....
**	F.P.	—	97p	97p	Dewhirst (I.J.) 9½% Cum. Pref	97p	.....
£100	—	—	100⅜	100	Edinburgh (City of) Var. Rate 1983	100¼	—⅛
‡‡£87.55	£10	28/7	101½	101¼	Essex Water 7½% Red. Pref. 1985	101½	+¼
‖	F.P.	—	3¼pm	2pm	Fairview Ests. 13.85% Deb.	2¼pm	—¾
**	F.P.	—	99p	99p	Greenfield Millets 10% Cum. Pref.	99p	.....
£99	£50	25/8	[illegible]	46½	Greenwich (Lon. Boro. of) 11½% Red. 1986	49	—¼
**	F.P.	11/8	101	99	Liberty & Co. 9.5% Prf.	99½	.....
100p	—	23/6	100p	97½	Pittard 9½% Cum. Prf.	97½p	.....
**	F.P.	30/6	106	104	Premier 10½% Cum Pref.	104	—1
**	F.P.	7/7	102	99	Quick (H. & J.) 10% Prf.	100	.....
**	F.P.	—	100p	99p	Smith St. Aubyn 9½% Cum. Pref.	99p	.....
£100	F.P.	26/6	101	95	Tess 8 10% Cnv. Uns. Ln. 1995	95	.....
£98¾	£10	1/9	10½	7¾	Tyne & Wear 12% Red. 1986	10¼	—¼
**	F.P.	16/6	101½p	100p	Wade Potteries 10% Pref.	100	.....

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1978 High	1978 Low	Stock	Closing Price p	+ or —
20p	F.P.	13/6	7/7	192	178	Brent Chemicals	192	+4
56	F.P.	25/5	23/6	59	4[illegible]	Brown [illegible] Kent	57	—1
C$24	F.P.	—	—	51pm	38pm	Canadian Imperial Bnk.	43pm	—1
20p	Nil	9/6	7/7	58	52	Central Manufacturing	56½	+½
70p	Nil	16/6	21/7	22pm	25pm	Dobson Park Inds.	25pm	+½
R5.05	Nil	—	—	20pm	17pm	Elandsrand Gold Mining	20pm	.....
—	—	—	—	115	115	Fairview Ests.	113	.....
84	Nil	22/6	19/7	16pm	10pm	Hestair	13pm	.....
72	F.P.	26/5	23/6	102	95	Hornby [illegible]	93	
145	Nil	16/6	21/7	14pm	9pm	Howden (Alexander)	13½pm	+1½
29	Nil	—	—	11½pm	8½pm	Hyman (I. & G.)	11½pm	.....
345	F.P.	31/5	23/6	415	394	Rowntree Mackintosh	409	+2
20p	F.P.	5/6	17/7	25½	25½	Welton	22½	—1½

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. r Dividend and yield based on prospectus or other official estimates for 1979. o Gross. t Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of Ordinary shares as a "rights." ** Issued by way of capitalisation. †† Minimum tender price. ‡‡ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former Preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., June 13, 1978 Index No.	Day's Change %	Est. Earnings Yield% (Max.) Corp. Tax 52%	Gross Div. Yield% (ACT at 34%)	Est. P/E Ratio (Net) Corp. Tax 52%	Mon. June 12 Index No.	Fri. June 9 Index No.	Thurs. June 8 Index No.	Wed. June 7 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (171)	215.67	+0.5	17.43	5.56	8.00	214.65	213.26	213.48	214.94	180.39
2	Building Materials (28)	189.39	+0.8	18.14	5.73	7.87	187.83	188.08	188.41	190.72	151.87
3	Contracting, Construction (26)	347.47	+0.3	19.79	3.93	7.34	346.48	346.63	348.79	351.55	253.21
4	Electricals (15)	459.36	+0.5	14.96	3.86	9.46	457.25	449.94	449.36	452.07	348.97
5	Engineering Contractors (14)	319.63	+0.6	18.43	6.36	7.35	317.59	316.04	316.24	317.87	256.52
6	Mechanical Engineering (71)	176.29	+0.6	18.17	6.03	7.49	175.25	174.18	174.12	174.94	163.45
8	Metals and Metal Forming (17)	163.01	−0.2	17.49	8.60	7.81	163.28	162.60	162.61	164.65	150.39
	CONSUMER GOODS										
11	(DURABLE) (52)	199.50	+1.0	16.77	4.81	8.39	197.44	195.48	195.06	197.37	167.87
12	Lt. Electronics, Radio TV (15)	233.22	+1.3	15.00	3.70	9.40	230.19	227.77	227.53	231.49	188.34
13	Household Goods (12)	180.09	+0.2	16.08	6.26	8.53	179.73	179.00	178.33	177.78	161.51
14	Motors and Distributors (25)	127.42	+0.8	19.56	6.11	7.21	126.36	125.04	124.62	125.52	112.04
	CONSUMER GOODS										
21	(NON-DURABLE) (176)	203.04	+1.0	15.92	5.77	8.53	201.06	199.56	199.98	202.59	169.46
22	Breweries (14)	230.18	+0.5	14.82	5.88	9.70	228.93	226.58	229.19	233.08	177.80
23	Wines and Spirits (6)	258.25	+1.6	15.66	5.58	9.68	254.24	251.92	252.70	258.76	199.62
24	Entertainment, Catering (17)	258.86	+0.6	15.09	6.59	9.60	257.22	253.35	257.77	261.88	212.80
25	Food Manufacturing (22)	198.56	+0.7	19.60	5.62	6.75	197.17	196.02	194.77	196.48	173.13
26	Food Retailing (15)	203.30	+1.8	14.37	4.94	9.68	199.77	199.59	197.82	201.07	169.45
32	Newspapers, Publishing (13)	381.27	+2.6	10.48	3.25	13.62	371.66	371.61	371.68	375.23	298.36
33	Packaging and Paper (15)	135.92	+2.1	19.56	7.78	6.74	133.08	131.97	132.52	133.14	122.41
34	Stores (39)	180.15	+1.3	11.72	4.52	12.52	177.84	176.60	177.14	180.12	147.13
35	Textiles (25)	181.78	+0.3	17.15	7.61	7.67	181.15	178.93	180.04	181.69	168.46
36	Tobaccos (3)	252.39	—	21.90	7.42	5.43	252.29	251.21	249.81	251.39	218.78
37	Toys and Games (6)	108.01	+0.2	18.83	5.78	6.49	107.75	106.88	107.55	107.38	101.21
41	OTHER GROUPS (97)	199.70	+0.6	16.20	5.72	8.09	198.56	196.66	197.14	198.85	180.34
42	Chemicals (19)	287.77	+0.8	17.33	6.07	7.84	285.55	281.68	281.55	284.69	252.99
43	Pharmaceutical Products (7)	258.16	+0.6	11.47	3.97	10.89	256.61	255.73	256.60	258.65	[illegible]
44	Office Equipment (6)	134.38	+0.2	17.83	4.83	6.64	134.14	133.28	133.69	135.81	103.10
45	Shipping (10)	432.72	+0.1	18.38	7.27	6.60	432.29	430.28	430.29	431.75	506.43
46	Miscellaneous (55)	205.17	+0.5	17.23	6.33	7.81	204.16	201.96	203.11	204.25	175.76
49	INDUSTRIAL GROUP (495)	212.02	+0.8	16.42	5.64	8.27	210.42	208.75	209.07	211.26	181.09
51	Oils (5)	488.69	+0.4	15.10	4.04	7.18	486.68	487.08	493.72	495.33	485.83
59	500 SHARE INDEX	235.02	+0.7	16.22	5.40	8.09	233.37	231.83	232.61	234.79	205.67
61	FINANCIAL GROUP (100)	165.61	+0.9	—	5.65	—	164.10	161.20	162.44	164.36	137.89
62	Banks (6)	191.36	+1.0	24.73	5.63	6.12	189.51	185.55	187.68	190.62	153.62
63	Discount Houses (10)	213.92	+0.2	—	8.09	—	213.52	204.82	199.13	198.72	170.02
64	Hire Purchase (5)	144.45	+1.6	13.53	5.68	10.95	142.16	140.14	140.22	141.34	132.72
65	Insurance (Life) (10)	137.02	+0.9	—	6.64	—	135.78	133.75	134.87	137.49	107.41
66	Insurance (Composite) (7)	127.69	+1.2	—	6.68	—	126.18	122.57	123.64	125.18	111.39
67	Insurance Brokers (10)	332.46	+1.0	14.02	4.71	10.21	329.08	323.00	324.13	328.77	292.04
68	Merchant Banks (14)	81.06	+0.5	—	6.11	—	80.65	80.20	80.10	81.09	68.13
69	Property (31)	233.35	+0.4	3.07	3.17	59.16	232.47	232.36	234.79	235.32	193.73
70	Miscellaneous (7)	110.78	+1.0	23.70	7.29	5.84	109.64	108.40	108.13	108.50	87.53
71	Investment Trusts (50)	212.68	+1.7	3.14	4.67	31.81	209.22	208.70	208.81	209.91	168.88
81	Mining Finance (4)	102.13	+1.3	16.92	6.81	7.14	100.86	101.59	102.07	102.12	88.49
91	Overseas Traders (19)	314.36	+0.7	16.51	6.69	7.42	312.11	309.91	311.33	313.86	275.91
99	ALL-SHARE INDEX (673)	217.01	+0.8	—	5.46	—	215.29	213.57	214.43	216.43	187.55

FIXED INTEREST PRICE INDICES

	British Government	Tues. June 13	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	104.80	−0.22	—	4.51
2	5-15 years	115.38	+0.48	0.55	5.10
3	Over 15 years	122.18	+0.03	—	5.65
4	Irredeemables	126.68	+0.24	—	6.30
5	All stocks	113.52	+0.01	0.09	5.05

FIXED INTEREST YIELDS — Br. Govt. Av. Gross Red.

			Tues. June 13	Mon. June 12	Year ago (approx.)
1	Low Coupons	5 years	8.69	8.70	7.46
2		15 years	10.79	10.78	11.15
3		25 years	11.45	11.45	12.22
4	Medium Coupons	5 years	11.14	11.30	10.08
5		15 years	11.97	12.02	11.88
6		25 years	12.17	12.08	12.61
7	High Coupons	5 years	11.36	11.26	10.91
8		15 years	12.50	12.50	13.07
9		25 years	12.89	12.87	13.28
10	Irredeemables		11.58	11.61	12.39

		Tuesday, June 13 Index No.	Tuesday, June 13 Yield %	Monday June 12	Friday June 9	Thurs. June 8	Wed. June 7	Tues. June 6	Mon. June 5	Friday June 2	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	57.29	12.94	57.11	56.94	56.72	57.11	57.14	57.22	57.27	55.42
16	Investment Trust Prefs. (15)	52.94	13.38	52.94	52.61	52.52	52.23	52.23	52.25	52.91	51.01
17	Coml. and Indl. Prefs. (20)	71.72	12.92	71.37	71.34	71.34	71.57	71.49	71.52	71.52	70.04

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

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INSURANCE, PROPERTY, BONDS

Eagle Star Insur/Midland Ass.
1, Threadneedle St., EC2. 01-588 1212
Eagle/Mid. Units ... 52.8 53.9 ... 5.78

Equity & Law Life Ass. Soc. Ltd.♥
Amersham Road, High Wycombe 0494 33377

Equity Fd.	124.7	128.7	+1.1	—
Property Fd.	105.6	111.3	+0.1	—
Fixed Interest F.	108.2	113.8	−0.6	—
Gtd. Deposit Fd.	98.2	104.6	+0.1	—
Mixed Fd.	110.7	116.5	+0.2	—

NEL Pensions Ltd.
Milton Court, Dorking, Surrey. 5911

Nelex Eq. Cap.	80.3	84.5	+1.3	—
Nelex Eq. Accum.	113.8	119.7	+1.3	—
Nelex Money Cap.	61.3	64.5	.....	—
Nelex Mon. Acc.	64.8	68.2	.....	—
Nelex Gth Inc Acc.	49.1	51.6	.....	—
Nelex Gth Inc Cap.	49.8	52.4	.....	—
Nel Mxd. Fd. Cap.	47.8	50.3	.....	—
Nel Mxd. Fd. Acc.	48.2	50.7	.....	—

Next Sub. Day May 25
For New Court Property see under Rothschild Asset Management

BUILDING SOCIETY INTEREST RATES

GREENWICH
(01-858 8212)
281 Greenwich High Road, Greenwich, SE10 8NL.
*Deposit Rate 5.25, Share Accounts 5.50, Sub'pn. Shares 6.75. Term Shares 2 yrs. ½% above share rate, 3 yrs. 1% above share rate. Interest paid Quarterly on shares/term shares. Monthly Income share 5.80%.

LONDON GOLDHAWK
(01-995 8321)
15/17, Chiswick High Road, London W4 2NG.
Deposit Rate 5.25: Share Accounts 5.75. Sub'pn. Shares 7.00.

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

J.E.T. Managers (Jersey) Ltd.
PO Box 194, Royal Tst. Hse., Jersey 0534 27441
Jersey Extrnl. Tst. ... 163.0 173.0 ..... —
As at May 31. Next sub. day June 30.

Jardine Fleming & Co. Ltd.
46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	$HK254.36	.....	2.80
Jardine J'pn. Fd.*	$HK319.04	.....	0.90
Jardine S.E.A.	$US14.22	.....	2.20
Jardine Flem. Int.	$HK9.70	.....	—

NAV May 28. *Equivalent $US68.46. Next sub. June 15.

Keyselex Mngt., Jersey Ltd.
PO Box 98, St. Helier, Jersey. (Eng. 01-606 7070)

Fonselex	Frs1376	1510		2.90
Bondselex	Frs118.98	125.00	−0.25	—
Keyselex Int'l.	£6.61	7.29	+0.25	—
Keyselex Europe	£3.89	4.38		3.77
Japan Gth. Fund	$US23.77	25.57		—
Keyselex Japan	£11.58	12.69		—
Cent. Assets Cap.		£133.56	+0.03	.....

United States Tst. Intl. Adv. Co.
14, Rue Aldringer, Luxembourg.
U.S. Tst. Inv. Fnd. ... $US10.94 −0.03 0.92
Net asset June 12.

S. G. Warburg & Co. Ltd.
30, Gresham Street, EC2. 01-600 4555

Cnv Bd. Fd. June 12	$US9.64		.....	—
Engy. Int. June 12	$US17.36		+0.24	—
Gr. St. $ Fd. Apr 31	$US7.69		.....	—
Mr. Eur. June 7	10.35	10.47	.....	—

Warburg Invest. Mngt. Jrsy. Ltd.
1, Charing Cross, St. Helier, Jsy. CI 0534 73741

CMF Ltd. May 25	$US22.22	22.64	.....	—
CMT Ltd. May 25	£12.59	12.90	.....	—
Metals Tst. May 18	£11.89	12.17	.....	—
TMT June 8	$US10.57	10.95	.....	—
TMT Ltd. June 8	£10.68	10.96	.....	—

World Wide Growth Management♦
10a, Boulevard Royal, Luxembourg.
Worldwide Gth Fd. $US15.34 +0.04 —

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

CORAL INDEX: Close 473-478

INSURANCE BASE RATES

†Property Growth 9½%
†Vanbrugh Guaranteed 9%
Address shown under Insurance and Property Bond Table.

FT SHARE INFORMATION SERVICE

BONDS & RAILS—Cont.

U.S. $ & DM prices exclude inv. $ premium

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Five to Fifteen Years

Over Fifteen Years

Undated

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1978 High	Low	Stock	Price £	+ or —	Div. % Gross	Red. Yield
19½	17	Antofagasta Rly.	19	......	—	—
33	33	Do. 5pc Pref.	33xd	......	—	—
98	93	Chilean Mixed	98	......	3	£3.10
413	350	German Yng. 4½pc.	405xd	......	4½	—
54	46	Greek 7pc Ass.	54	......	3½	£6.48
51	46	Do. 6pc '28 Stab. Ass.	51	......	6	£6.00
44	40	Do. 4pc Mixed Ass.	43	......	4	£4.76
55	42	Hung. '24 Ass.	55	......	4½	5.00
77	65	Iceland 6½pc '83-88	65xd	−2	—	12.60

AMERICANS

S.E. List Premium 33⅜% based on US$1.8365 per £
Conversion factor 0.6500 (0.6655)

CANADIANS

S.E. List Premium 33⅜% (based on $2.0594 per £)

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Hire Purchase, etc.

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INDUSTRIALS—Continued

1978 High	Low	Stock	Price	+ or —	Div Net	Cvr	Yld Gr's	P/E
55	34	Hay (Norman) 10p	55	......	3.00	2.1	8.3	8.5
164	120	Hay's Wharf £1	140xd	......	†4.95	1.8	5.4	13.9
89½	72½	Hepworth Cmic.	87½	......	♦3.3	3.5	5.7	7.4
112	93½	Hestair	96	+1	t6.89	3.1	10.9	(3.7)
24	20	Hewitt (J.) 5p	21	......	1.03	4.3	7.4	4.8
41	35	Highgate Opt. 10p	35	......	td1.07	1.2	‡	12.2
115	92	Hill (Chas.) £1	105	......	7.26	—	10.3	—
38	28	Hirst Mal'son 20p	32	......	1.8	2.9	8.5	(4.7)
67	61	Holden (A.)	63	......	b3.3	3.6	7.9	5.3
75	59	Hollis Bros.	64	......	†4.03	2.7	9.6	5.8
148	119½	Holt Lloyd Int. 10p	137xd	+1	7.00	ϕ	7.7	ϕ
398	315	Hoover 'A'	322	+2	14.82	2.0	7.0	10.9
*99	71½	Horizon 5p	93	......	M5.64	3.4	9.2	9.5
173	122	Hoskins & H 20p	168	......	5.17	1.2	4.7	26.3
31½	25	Howard Tenens	29½	......	†1.71	—	8.8	—
235	183	Hunting Assoc.	230xd	......	2.95	9.2	1.9	8.4
119	82	Huntleigh 10p	105	......	2.35	7.0	3.4	6.4
96	49	Hutch Whamp. SHK1	96	......	Q20c	ϕ	2.4	ϕ
*38½	22¾	Hyman (I. & J.) 5p	38½xr	......	£1.9	17.7	7.1	12.5
£22	£14½	I.C. Industries§	£22	+¼	Q$1.52	—	4.3	—
302	206	ICL £1	302	+10	†7.42	5.4	3.7	5.0
385	308	Imp. Cont. Gas £1	385	+5	†8.91	2.8	3.5	15.3
25	22	Ingall Inds. 10p	25	......	§1.88	1.6	11.4	7.6
77	64	Initial Services	75½	+½	†4.11	1.8	8.3	10.3
12½	8	Inter-City 20p	12	......	0.6	2.7	7.9	7.1
47	39	James (John)	46½	......	td2.47	2.7	8.1	5.6
14¼	9½	James (M.) Inds. 20p	13½	......	Zd0.5	—	5.7	—
268	149	Jardine M. SHK5	268	+1	Q67c	2.2	3.0	15.0
32½	23½	Jentique	25½	......	th2.0	1.2	11.9	10.9
*12½	10	Johnson & Barnes	12	......	—	—	—	—
108	76½	Johnson Clnrs.	92	+5	3.89	3.0	6.4	5.9
480	375	Johnson Mthy. £1	428	−7	13.62	ϕ	4.9	ϕ
42	32	Jourdan (T.) 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCE

1978 High	Low	Stock
120	100	Bowring (C. T.)
58	34	Brentnall Bd. 10p
172	148	Britannic 5p
£167⁄8	955	Combined Am. $1
159	138	Comm. Union
166	132	Eagle Star
24	16½	Edin. & Gen. Ins. 6p
£129	£107	Exma UK 9¾%Cnv.
178	148	Equity & Law 5p
250	200	Gen. Accident
262	206	Guardian Royal
335	263	Hambro Life
292	240	Heath (C.E.) 20p
193	163	Hogg Robinson
*178	147	Howden (A.) 10p
177	143	Legal & Gen. 5p
102	85	Les. & Gown. 10p
150	120	Lon. & Man. 5p
178	132	London United 20p
215	165	Matthew Wr. 20p
204	151	Minet Hldgs. 20p
67	47	Moran (Chris) 20p
260	220	Pearl 5p
292	236	Phoenix
132	120	Provident "A"
132	120	Do. "B"
173	137	Prudential 5p
146	125	Refuge 5p
425	346	Royal
420	310	Sedg. Forbes 10p
107	94	Stenhouse
606	508	Sun Alliance £1

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INV. TRUSTS—Continued

Finance, Land, etc.

FINANCE, LAND—Continued

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Yld Gr's
210	155	Falcon Rh.50c	190	−5	Q50c	1.3	22.5
24	15	Rhod'n Corp. 16⅔p.	18	......	0.56	7.1	4.7
80	52	Roan Cons. K4	70	......	—	—	—
175	122	Tanganyika 50p	160xd	......	Q10.0	ϕ	6.2
90	78	Do. Pref. 80p	90xd	......	Q9%	16.4	8.0
41	32	Wankie Col. Rh1	38	......	tQ7½c	1.4	16.8
16½	10	Zam.Cpr.SBD0.24	15½	......	—	—	—

AUSTRALIAN

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Yld Gr's
15	10	Acmex 25c	15	......	—	—	—
132	64	Bougainville 50 Toea	126	......	Q8c	1.4	4.0
101	63	BH South 50c	101	+3	—	—	—
245	148	Conzinc Riotinto 50c	240	+2	Q10c	2.2	2.6
72	48	G.M. Kalgoorlie $1	55	......	—	—	—
138	81	Hampton Areas 5p	132	......	1.45	4.1	1.7
40	10	Metals Ex. 50c	34	......	—	—	—
220	125	M.I.M. Hldgs. 50c	218	+2	Q9c	1.7	2.5
39	10	Mount Lyell 25c	36	......	—	—	—
6½	1½	Newmetal 10c	4¼	+¼	—	—	—
145	79	North B. Hill 50c	140	−1	Q5c	1.5	3.5
16	8½	Nth. Kalgurli	15	−1	—	—	—
170	117	Oakbridge $A1	170	+4	tQ11c	2.9	4.0
48	30	Pacific Copper	46	......	—	—	—
£14½	750	Pancont'l 25c	£14½	......	—	—	—
38	12	Paringa M&Ex 5p	36	+2	—	—	—
538	310	Peko-Wallsend 50c.	532	+12	Q15c	4.0	1.8
160	84	Westn. Mining 50c	158	......	‡Q6c	1.4	‡
70	35	Whim Creek 20c	50	......	—	—	—

TINS

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Yld Gr's
30	24	Amal. Nigeria	25	......	12.51	1.6	15.2
360	240	Ayer Hitam SM1	350	......	[illegible]	0.9	‡
60	45	Beralt Tin	54	......	3.75	4.4	11.0
290	200	Berjuntai SM1	285	+5	tQ110c	ϕ	‡
145	111	Geevor	135	......	h4.51	3.4	5.1
10	8½	Gold & Base 12½p	10	......	—	—	—
290	220	Gopeng Cons.	290	......	15.0	0.9	7.9
165	130	Hongkong	165	......	—	—	—
93	78	Idris 10p	88	......	12.0	1.6	21.8
12	10	Jantar 12½p	10	−½	—	—	—
73	68	Kamunting SM0.50	68	......	ZQ15.5c	0.7	4.9
490	450	Killinghall	490	......	Q125	ϕ	25.5
400	280	Malay Dredging SM1	390	......	tQ95c	0.8	5.2
70	40	♦Pahang	70	......	‡Q5.75c	0.5	‡
62	50	Pengkalen 10p	60xd	......	6.5	1.3	16.7
210	165	Petaling SM1	208xd	......	tQ80c	1.6	8.8
61	49	Saint Piran	54	......	g1.99	4.6	5.6
61	47	South Crofty 10p	56	......	b4.13	1.5	11.2
205	140	South Kinta SM0.50	200	......	tQ77.8c	1.4	8.4
305	230	Sthn. Malayan SM1	300	......	tQ131.3c	1.1	9.4
208	134	Sungei Besi SM1	208	......	—	—	—
75	55	Supreme Corp. SM1	75	......	ZQ10c	—	2.9
100	85	Tanjong 15p	92	......	6.5	0.8	10.7
100	74	Tongkah Hrbr. SM1	96	......	[illegible]	1.6	‡
220	148	Tronoh SM1	210	......	ZQ88c	1.6	9.0

COPPER

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Yld Gr's
100	70	Messina R0.50	96	−2	‡Q30c	1.9	‡

MISCELLANEOUS

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Yld Gr's
17	9	Burma Mines 17½p.	15	......	—	—	—
300	220	Cons. Murch. 10c	225	......	‡Q30c	2.6	‡
450	245	Northgate C$1	450	+15	—	—	—
234	164	R.T.Z.	227	+1	9.5	2.8	6.3
60	30	Sabina Inds. C$1	60	+6	—	—	—
£12	750	Tara Expln. $1	£11½	−⅛	—	—	—
45	43	Tehidy Minerals 10p	43	......	1.33	ϕ	4.7
173	120	Yukon Cons. C$1	173	......	Q7c	2.9	1.9

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent, and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- △ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ¥ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- φ Excluding a final dividend declaration.
- ♦ Regional price.
- ǁ No par value

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; ≠ ex capital distribution.

"Recent Issues" and "Rights" Page 36

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or —
Albany Inv. 20p	23	......
Ash Spinning	45	......
Bertam	22	......
Bdg'wtr. Est. 50p	270	......
Clover Croft	24	......
Craig & Rose £1	445xd	......
Dyson (R. A.) A.	37	......
Ellis & McHdy	62	......
Evered	18	......
Fife Forge	50	......
Finlay Pkg. 5p	23½	......
Graig Ship. £1	154	......
Higsons Brew	80	......
I.O.M. Stm. £1	150	......
Holt (Jos.) 25p	265	......
Nthn. Goldsmith	54	......
Pearce (C. H.)	165	......
Peel Mills	20	......
Sheffield Brick	45	......
Sheff. Refrshmt.	52	......
Sindall (Wm.)	87	......

IRISH

Stock	Price	+ or —
Conv. 9% '80/82	£91½	......
Alliance Gas	73	......
Arnott	345xd	+6
Carroll (P.J.)	90xd	......
Clondalkin	95	−1
Concrete Prods.	135	......
Heiton (Hldgs.)	40	......
Ins. Corp.	148	......
Irish Ropes	135	+3
Jacob	65	−3
Sunbeam	33	......
T.M.G.	173	+3
Unidare	90	......

OPTIONS
3-month Call Rates

Industrials					
A. Brew	6½	I.C.I.	20	Tube Invest.	30
A.P. Cement	18	"Imps"	6	Unilever	35
B.S.R.	9	I.C.L.	20	Utd. Drapery	7½
Babcock	11	Inveresk	8	Vickers	15
Barclays Bank	25	KCA	3	Woolworths	5
Beecham	35	Ladbroke	17	**Property**	
Boots Drug	15	Legal & Gen.	14	Brit. Land	3¾
Bowaters	16	Lex Service	7	Cap. Counties	4½
B.A.T.	24	Lloyds Bank	22	E.P.	5
British Oxygen	6	"Lofs"	4	Intereuropean	4
Brown (J.)	20	London Brick	5	Land Secs.	16
Burton 'A'	12	Lonrho	5	MEPC	12
Cadbury's	5	Lucas Inds.	25	Peachey	8
Courtaulds	10	Lyons (J.)	10	Samuel Props.	9
Debenhams	8	"Mams"	7	Town & City	1¼
Distillers	15	Mrks. & Spncr	10	**Oils**	
Dunlop	7	Midland Bank	25	Brit. Petroleum	45
Eagle Star	11	N.E.I.	12	Burmah Oil	5
E.M.I.	14	Nat. West Bank.	22	Charterhall	3
Gen. Accident	17	Do. Warrants	10	Shell	28
Gen. Electric	13	P & O Dfd.	8	Ultramar	20
Glaxo	40	Plessey	8	**Mines**	
Grand Met	9	R.H.M.	5	Charter Cons.	12
G.U.S. 'A'	20	Rank Org. 'A'	18	Cons. Gold	24
Guardian	18	Real Intnl.	12	Rio T. Zinc	16
G.K.N.	22	Spillers	3		
Hawker Sidd.	20	Tesco	4		
House of Fraser	12	Thorn	22		
		Trust Houses	15		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES

Wednesday June 14 1978

Inflation 'could delay economic recovery'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A STERN warning about the risks of a rekindling of inflation, even in countries where present rates of price increase are low, was given yesterday by Mr. Gordon Richardson, Governor of the Bank of England.

In a major speech on the international economic prospects, Mr. Richardson identified inflation as a "lion in the path" of economic recovery.

He rejected the over-simple view that expansion and price stability were alternatives and argued in favour of policies contributing to "some reasonable rate of real growth," as suggested in Monday's annual report from the Bank for International Settlements.

Mr. Richardson's speech highlights the advice which the Bank of England has been giving within the UK.

Expansionary monetary policies and large increases in public expenditure were both described as likely to be inappropriate.

"On the other hand, judicious tax reductions may foster sustainable expansion while, at the same time, through the increases in real income produced, helping to moderate the pressure for higher wage settlements."

Mr. Richardson, who was speaking in Berne yesterday at the annual meeting of the Association of Foreign Banks, claimed that the UK was attempting to follow a policy involving "some expansion through tax cuts, but on no greater scale than can be appropriately financed, while at the same time maintaining a firm monetary posture."

He was convinced that high marginal rates of tax and levels of government expenditure had "dulled incentives and loaded heavy burdens on the productive machine in many countries."

The main emphasis in the speech was on inflation and the fear of its resurgence, which remains a "powerful constraint on both public and private confidence and expansiveness."

The Governor said that apprehension about inflation was not misplaced. "The prospects in a number of countries seem to be for some increase in inflation rates."

He also highlighted the change in thinking about floating exchange rates.

"Whereas we once thought that exchange rate changes had an important contribution to make to the (balance of payments) adjustment process, we are now not so sure."

He noted that substantial changes in exchange rates now fed through to costs and prices more quickly than before.

"It is perhaps not too much to say that exchange rate movements in recent years have contributed to a polarisation of economies—tending to make the strong stronger and to weaken the weak."

Mr. Richardson identified inflation, the recession, and continuing maladjustment of balance of payments and exchange rate volatility as causes of concern.

He said it was difficult not to feel that the present scale of our waste of resources implies considerable risks for the medium-term, notably languishing of productive investment.

The Governor also gave strong backing to the operations of the International Monetary Fund as the most appropriate multilateral channel for provision of official finance and application of judicious economic policy conditions.

This should be in parallel with financing arranged by the banks, he said.

He urged a change of sentiment to encourage a greater use of the fund's conditional facilities by deficit countries.

"Not only is it, in many cases, in the direct interest of a country to accept a sound economic programe worked out with the assistance of the IMF, but also the adoption of such a programme can unlock further amounts of banking and other commercial finance which otherwise might prudently be withheld."

Mr. Richardson said the fund's supplementary finance facility (the Witteveen facility) could provide an important complement here.

There is still scope for increases in bilateral capital flows—both of official capital and private direct investment—particularly from some major surplus countries to the developing countries.

Zaire accepts Western plan to curb imports

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

BRUSSELS, June 13.

ZAIRE to-day agreed, under pressure from its principal Western creditors, to impose a strict new import licensing system and place its public finances under the supervision of outside experts as a first step towards re-ordering its troubled economy.

The measures were endorsed on the first day of a two-day meeting here between Zaire and almost a dozen other Governments to discuss the country's mounting difficulty in servicing its external debt, estimated at about $2-3bn.

The talks sponsored by Belgium also include officials from the International Monetary Fund, the World Bank and the EEC Commission.

Officially, the proposal to impose tighter controls over the running of the Zaire economy is being attributed to the regime of President Mobutu Sese Seko. But other Governments have made it clear that they are unwilling to give any further aid unless they receive firm assurances that it will be properly spent.

Zaire is in the midst of negotiating a new credit arrangement with the IMF which is expected to form the backbone of a new aid package.

Its Government is also seeking emergency aid to restore the damage caused by the recent invasion of Shaba province, as well as substantial new foreign investment.

It has asked for new long-term investment from external sources of about $1bn (£544m), half of it for the transport sector. The remainder is required for agriculture, energy, education, telecommunications and mining.

It has been agreed that an IMF nominee, assisted by a staff of about six outside experts will take over as principal director of the Zaire Central Bank from mid-August. He will have wide authority over the operation of the country's credit and payments mechanisms.

Zaire has also consented to the appointment of another outside official as principal comptroller of its finance ministry, with special responsibility for public spending, budgetary receipts and the running of public sector enterprises.

It is not yet known whether he will be supplied by the IMF or from one of the creditor Governments.

The import licensing scheme, which is expected to take effect as soon as possible, is considered a vital step towards staunching the heavy drain on the country's depleted foreign exchange reserves, and ensuring that future imports are economically justified.

Zaire's creditors consider it equally important that management of the country's internal financial affairs should ensure that money is spent on the purposes for which it is officially intended, and not misused for private gain, as has often been the case in the past.

Zaire has presented its creditors with a four-point programme for stabilising its economy and increasing production, particularly in the mining sector which has been badly affected by the recent fighting in Shaba. Belgium believes that the country should aim at restoring output to 1973 levels.

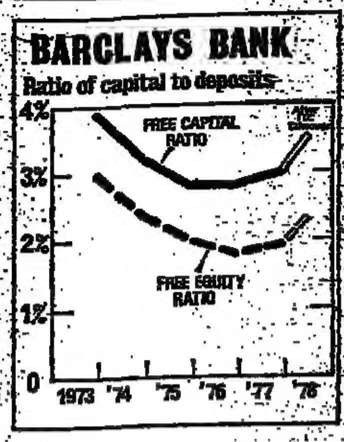
The other Governments represented at today's meeting were U.S., Britain, France, West Germany, Italy, the Netherlands, Japan, Canada and Iran. Saudi Arabia has been invited to the meeting but did not send a representative today.

Castro blames Brzezinski, Page 4

THE LEX COLUMN

The hidden cost for Barclays

Index rose 2.4 to 474.6



The lull since two major investment trusts were taken over by pension funds late last year was broken yesterday when Barclays Bank emerged as the intermediary in an ingenious scheme for the Post Office Staff Superannuation Fund to acquire the Investment Trust Corporation. Barclays, which unlike the fund can issue paper, is making an agreed share exchange offer on the basis of 88 Barclays units for 100 ITC, terms which are worth 295p per ITC share. The overall value placed on the trust, with Barclays at 335p, is around £93m. When the deal goes through the bank will pass on the trust to the Post Office fund for some £85m in cash, or 264p a share—representing a discount of 10½ per cent.

The advantages of this arrangement are, first, that the trust gets an offer which, even on the basis of the 264p a share underwritten cash alternative comes out *slightly* above the net asset value. This is stated to be 261p after deducting prior charges at redemption value and taking off 14p a share of contingent capital gains tax. The share offer is in fact currently worth even more than the full going concern value, a price which a pension fund could not possible afford to pay directly.

Secondly, the pension fund avoids all the publicity and unpleasantness of a contested offer which was endured by the British Rail and Coal Board funds in buying Edinburgh and Dundee and British Investment Trust, respectively. It pays hardly more than those institutions, and avoids the risk of being stuck with an awkward minority as the Coal Board fund has been. Moreover it has been able to pore over the portfolio in advance, a privilege not available in a contested situation.

Finally, Barclays has been able to raise a useful sum—enough to improve its capital to deposit ratios by around 0.4 of a percentage point—without launching a conventional rights issue; the move is equivalent to a one-for-seven at around 290p. Apparently the scheme was devised by Samuel Montagu, and offered to Barclays several months ago as the first on a list of potential capital raisers. Barclays accepted, reasoning that although the scheme was more hit-or-miss than a rights issue the need for new capital was not urgent and meantime the trust route could produce capital at only about half the discount involved in a rights issue.

At this point, however, the reasoning gets fuzzy. A discount of 10 per cent. given away to outsiders is not at all to be compared with even a 20 per cent discount offered to existing shareholders in a rights issue. Quite clearly, the reason why this scheme is attractive to the others concerned is that Barclays' shareholders are effectively tossing a useful bonus of around £10m into the kitty.

Barclays is also blurring over the purpose of the deal, said to be to raise funds to use in the "further expansion of the business." In the past four years group deposits have declined by 5 per cent. after adjustment for inflation. Shareholders should note the recent evidence of the London Clearing Bankers to the Wilson Committee. They observed: "There is ample evidence . . . that the banks have had to turn to the capital markets merely to maintain their position in real terms."

Pegler-Hattersley

Serck told the story last month, and now Pegler-Hattersley confirms it: the UK valve industry is having a very rough time. Pegler's profits for the year to April are down from £18.2m to £12.6m pre-tax, and the main reason is that the world market in steel valves—which takes nearly a fifth of group sales—has nosedived.

Two years ago, Pegler's trading profits amounted to £10.5m, of which something like a third might have come from steel valves. Now, trading profits are down to £6.7m, and the returns on this side of the valve business are negligible. About two-thirds of sales are exported, and margins have been sliced by a recession in the refinery and process plant industries, which has coincided with the introduction of new valve capacity around the world as a result of the boom a couple of years ago.

Other parts of the valve business have not been so badly affected, as Hopkinsons Holdings—with its emphasis on more specialised power generation products — has shown. But Pegler has other worries, too. Labour unrest, especially on the building products side, could have knocked back the latest profits by roughly £1m. A swing from metal stock profits to losses has taken out about £1¼m. And tougher competition in the market for oil wellhead valves has left a mark on the important associate, McEvoy Oilfield Equipment.

The outlook this year should be a bit brighter, if Pegler can get its labour relations right. There is little sign of any recovery in steel valves but order books elsewhere are improving. The shares yield 7.2 per cent at 166p, down 8p yesterday.

Johnson Matthey

After the record results of 1976-77 Johnson Matthey ended the year to March 1978 with pre-tax profits 10 per cent lower at £18.9m. At first the group seemed set fair for a good year when it reported 17 per cent growth in first quarter profits, though that was the latest in a series of five quarters of declining profit growth rates. The normally quiet second quarter turned in unchanged figures, but the third resulted in a 32 per cent decline. At least the fourth quarter is better than this, with profits only 21 per cent lower.

The largest chunk of the £2m profit shortfall can be traced to refining and chemical activities where overcapacity has knocked margins severely. Elsewhere, the contributions from banking, and colours and transfers are slightly up, while profits from the fabrication of precious metals are only maintained because this division incorporates Johnson Matthey and Mallory (previously an associate) as a subsidiary for the first time.

At 428p the shares trade on a p.e. of 8.2 while the yield is lower than the market average at 4.8 per cent.

Thorn to market Japanese video tape recorders

BY CHARLES SMITH

TOKYO, June 13.

JAPAN VICTOR has reached agreement with the Thorn group to supply 20,000 video taperecorders a year to be marketed by Thorn in the UK under its own brand name.

The agreement includes a clause on the supply of information which will enable Thorn to start assembling recorders after two years and, at a later stage, to embark on full-scale manufacture.

The agreement is similar to arrangements made by Victor with European electronics manufacturers, including the French Thomson group.

It is the first phase of the marketing tie-up between a Japanese videorecorder manufacturer and the British company, although Japanese electronics companies — including Victor — are making direct exports of videorecorders to the UK.

Victor was not willing today to speculate on the price at which the Thorn video taperecorders will be sold in Britain, but says that its own sets are being sold at about £750 each.

Victor is aiming for direct export to the British market of 30,000 units a year, in addition to the 20,000 units which will be supplied to Thorn. It expects its total western European sales to reach 110,000 units a year.

The industry generally is expecting prices to fall by perhaps 30 per cent as the volume of sales increases.

Sets adapted

Japan Victor was the pioneer of the video home system of video taperecording, which is in competition with the Beta Format system developed by Sony. Members of the Beta Format group, including Sony itself, are also exporting to Europe, but appear to have made a later start than Victor and, so far, to be shipping smaller quantities of sets.

Both groups had to adapt their sets to receive the PAL system of colour broadcasting used in the UK and West Germany before they could enter the European market.

Japan Victor says that its arrangements for entering the European markets are complete with the signature of the Thorn agreement.

Max Wilkinson writes: The Sony and the Victor systems will be in competition with a third system being marketed by Philips of Holland. The Philips system, which was first in the field, is less economical in the use of tape than its Japanese competitors, but is claimed by Philips to produce a better quality of picture.

Tapes recorded on any of the three systems cannot be played back on rival equipment.

Philips is believed to be talking with Sony and Matsushita about the possibility of standardising designs.

Last Israeli troops pull out of Lebanon

BY DAVID LENNON

South Lebanon, June 13.

ISRAEL TODAY withdrew the last of its troops from Southern Lebanon, three months after they invaded the area in an attempt to smash the Palestinian guerrillas.

As the army left, Israel warned that it would continue to "monitor the situation" and to protect the Christian minority against Palesitinian attacks.

The Israeli positions within the 10-kilometre-deep belt along the length of the Israel-Lebanese border were handed over to the Right-wing, mainly Christian, militia. Israel refused to give its positions over to the UN peacekeeping troops, with whom relations appear to be strained.

The formal handing-over ceremoney was staged at the Shia Moslem village of Mis el Jebel, close to the Israeli border-town of Kiryat Shmoneh and midway between the two main Christian enclaves in Southern Lebanon.

According to the Security Council resolution establishing the UN Interim Force in Lebanon, all the area occupied by Israel in March should have been taken over by UN troops.

In earlier stages of the withdrawal, Israel gave up its positions to the UN troops; but this time it insisted on handing them over to the Christians, who have been backed by Israel during its two-year battle against the Palestinian and Moslem forces.

Major Saad Haddad, the commander of the Christian militia, said that his force was strong enough to control the entire border area.

He said that an agreement had been reached last night with the UN concerning the movement of UNIFIL troops in the area under his control. He would not give any details of the arrangement, but it implied UN recognition of the law-enforcement role of the Christian militia.

Anthony McDermott adds: Whether there has been some agreement between UNIFIL and Major Haddad's militia or not, the latter's forces acting as a surrogate protectors of Israel's interests means that tension in the south is bound to continue.

Unhappy

For example, President Sarkis is keen—with the agreement of President Assad of Syria, whose troops make up all but a fraction of the Arab Deterrent Force in Lebanon—to establish control of the central government through his own small and newly reformed army in the area.

The Palestinians and Left-wing forces continue to be unhappy at the role Major Haddad is playing. As a result all the elements for another outburst of clashes remain.

● In heavy fighting between rival Christian militias in the northern Lebanese town of Ehden about 40 people were killed. Among them were Mr. Tony Franjich, a deputy and the son of the former Lebanese President Suleiman Franjieh, and his family. The fighting reflects tensions between former members of a Right-wing coalition known as the Lebanese Front.

Leyland pins hopes on incentives plan

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

PLANS FOR a new productivity incentive scheme at British Leyland are being pushed ahead by Mr. Michael Edwardes, the chairman, in an urgent attempt to raise the car division's flagging output levels.

He told shareholders at the annual meeting in London yesterday that an incentive scheme could transform Leyland's "precarious" position. "It is crucial to the survival of the company that a productivity incentive scheme is agreed very quickly for cars as it has been for SP Industries (Leyland's engineering interests) and Leyland Vehicles," he said.

Mr. Edwardes' warning comes after a five-month period in which Leyland met its sales and profits targets. But he stressed that the group managed to achieve this performance only because of the March Superdeal sales promotion.

"If we could repeat March in terms of sales and profits we would be out of the woods financially. But the fact is that our production levels do not enable us to approach the March volumes."

Although Leyland would give no official figures yesterday, Mr. Edwardes went on to admit that the chances of meeting its production target of 819,000 cars this year looked slim. It is believed that output is running at about 75 per cent of what the company is aiming for, following some improvement at the beginning of this year.

Leyland's first attempt at a productivity scheme for the cars division was thrown out after a ballot of the workforce two months ago. While management wanted a centralised system giving control over total earnings, the trade unions were pressing for payments closely related to individual efforts.

The company is expected to put forward proposals for its revised scheme next week. This is also likely to retain a large standard element of payment related to the present measured day-work system, but will reflect Mr. Edwardes's belief in the power of incentives.

Mr. Edwardes warned that a major confrontation with the unions at the present time could "break the back of the company."

Appalling

Last year had been the worst for man-hour and production losses since records began. The company lost 3.7m man-hours due to internal strike action, which led to 11m man-hours of production losses through other workers being laid off, while another 3.3m man-hours were lost through disputes at suppliers.

The position was "so appalling" that everyone must be aware that the company could not survive another year like 1977.

Yesterday's meeting, attended by about 120 shareholders, was markedly less acrimonious than most of the stormy encounters of recent years. The only issue taken up in any force was the proposal to change the name of the group to BL Ltd, which one shareholder said belittled the name of Britain. But the motion was eventually carried.

● Production of Rover saloons, Range Rovers and Land Rovers was halted at the Solihull, Birmingham, plant yesterday, following a strike by 80 external drivers.

The men walked out after a shop steward was sacked. Half the 6,000 assembly workers have been laid off.

At the Longbridge plant, Birmingham, about 180 men picketed the factory gates in an unofficial protest at loss of earnings caused by unofficial strikes within the plant and among outside suppliers.

A steward said: "This is the only way we can get management and the works committee to take any notice. If we carry on picketing we will stop the factory."

Toolroom dispute, Page 8

Commission to study prices of car spares

By Elinor Goodman, Consumer Affairs Correspondent

THE PRICE COMMISSION will examine the prices of spare parts for cars. The reference was one of three announced by Mr. Roy Hattersley, the Prices Secretary, yesterday.

The investigation will cover all the companies in the industry, including the car makers. It could result in long-term recommendations about prices.

The reference seems to have been prompted by complaints about the high prices charged for spares and the differences between the prices paid by vehicle manufacturers and those paid by motorists.

Margins are traditionally high on spares despite the increasing competition between motor manufacturers and the specialist component manufacturers. Leyland's component division is one of the car company's divisions which consistently makes money.

The commission has also been asked to look at the prices of portable power tools, of the kind made by such companies as Black and Decker, and the distribution of jeans.

Capital gains tax talks

By Ivor Owen, Parliamentary Staff

MR. JOEL BARNETT, Chief Secretary to the Treasury, is to have consultations with Tory MPs and their tax legislation advisers as part of a general review of capital gains tax procedures.

He announced his willingness to go beyond the normal consultative process last night, duirng further debate on the Finance Bill, in a House of Commons standing committee. He emphasised that he was not making any advance commitment to amend the Bill.

Continued from Page 1

ICI warning

dozen people starting in January this year. By that time, says the company, it had lost far more artificers.

The company says that union demand for higher pay for these grades of normal workers cannot be met because pay and conditions for weekly staff are governed by national agreements involving a number of signatory unions and it has made the maximum wage offer within pay guidelines.

All the company's manual workers have been made a 10 per cent offer, together with a continuation of the existing productivity scheme in a deal due to run from the beginning of this month.

ICI has offered job restructuring which would include some upgrading of fitters, electricians and artificers but the unions rejected this.

Continued from Page 1

Post Office pension fund

under pressure to raise new capital but the approach by the pension fund had offered a vice-chairman of Barclays, said beneficial way of bringing in new funds.

The effect will be that the bank will issue new shares at a discount of only some 10.5 per cent from their current market value.

When Midland Bank made its £96m rights issue earlier this year, the shares were issued at a price nearly 17 per cent below the market level before the issue was announced.

The deal will, in effect, be equivalent to a rights issue on the basis of around one new share for seven. It will raise the bank's free capital ratio to deposits from 2.65 per cent to just under 3 per cent.

At the same time, Barclays announced that it plans to raise its dividend in total by 20 per cent this year with an interim payment of 6.05p a share and a final of not less than 7.2069p.

Weather

UK TODAY

MOSTLY dry, but showers in the E.

London, S., N England, Midlands, S. Wales, Channel
Dry, sunny intervals. Max. 17-19C (63-66F).

E. Anglia, E., N.E. England
Cloudy, scattered showers. Max. 15C (59F).

N. Wales, N.W. England, Lakes, I. of Man
Dry, sunny. Max. 17-19C (63-66F).

Borders, Edinburgh, Dundee, Aberdeen, Glasgow, Argyll, Moray Firth, Cent. Highlands, W., N. Scotland, Orkney, Shetland
Dry, sunny intervals. Max. 13-16C (55-61F).

Pollen count: 25, low.

Outlook: Sunny periods, thundery showers.

BUSINESS CENTRES

	Y'day midday	°C	°F		Y'day midday	°C	°F
Alexndria.	S	26	79	Luxemb'g	C	13	55
Amstdm.	C	12	54	Madrid	F	25	77
Athens	S	32	90	Manchstr.	C	11	52
Bahrain	S	36	97	Melbourne	C	12	54
Barcelona	S	22	72	Milan	T	16	61
Belfast	F	15	59	Montreal	C	15	59
Belgrade	R	14	57	Moscow	C	16	61
Berlin	C	14	57	Munich	F	13	55
Brmghm.	C	10	50	Newcastle	C	9	48
Bristol	C	11	52	New York	C	19	66
Brussels	C	12	54	Oslo	F	19	66
Budapest	C	16	61	Paris	C	13	55
B. Aires	S	13	55	Perth	S	18	64
Cairo	S	36	98	Prague	C	12	54
Cardiff	C	11	52	Reykjvk.	Dr	8	46
Chicago	S	14	57	Rio de J'o	S	24	75
Cologne	C	15	59	Rome	C	22	72
Copnhagn.	C	16	61	Singapore	S	30	87
Dublin	C	15	59	Stockhlm.	C	17	63
Edinburgh	F	12	54	Strasbrg.	C	16	61
Frankfurt	C	14	57	Sydney	C	14	57
Geneva	F	17	63	Tehran	S	29	84
Glasgow	F	15	59	Tel Aviv	S	25	77
Helsinki	C	14	57	Tokyo	S	26	79
H. Kong	S	31	88	Toronto	C	10	50
Jo'burg	S	21	70	Vienna	C	15	59
Lisbon	C	18	64	Warsaw	R	12	54
London	C	12	54	Zurich	C	14	57

HOLIDAY RESORTS

	Y'day midday	°C	°F		Y'day midday	°C	°F
Ajaccio	F	23	73	Istanbul	F	30	86
Algiers	S	29	84	Jersey	C	13	55
Biarritz	S	21	70	Las Plms.	F	21	70
Blackpool	C	13	55	Locarno	C	23	73
Bordeaux	F	23	73	Luxor	S	40	104
Boulogne	C	12	54	Majorca	S	23	73
Casablnca.	C	21	70	Malaga	F	26	79
Cape Town	S	16	61	Malta	F	28	82
Corfu	C	26	79	Nairobi	C	18	64
Dubrovnik	F	24	75	Nice	S	23	73
Faro	C	20	68	Oporto	C	15	59
Florence	C	25	77	Salzburg	C	12	54
Funchal	C	20	68	Tangier	C	21	70
Gibraltar	C	21	70	Tenerife	F	16	61
Guernsey	C	13	55	Tunis	F	26	79
Innsbruck	C	16	61	Valencia	F	27	81
Inverness	F	13	55	Venice	R	17	63
I. of Man	F	13	55				

C—Cloudy. Dr—Drizzle. F—Fair. R—Rain. S—Sunny. T—Thunder.

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